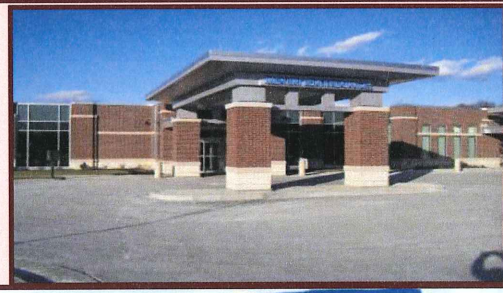


City of Newport, KY
Comprehensive Annual Financial Report
For year ending June 30, 2015



Status: Building for the future

**CITY OF NEWPORT, KENTUCKY
COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended June 30, 2015

Prepared by:

**Finance Department
City of Newport**

CITY OF NEWPORT, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

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INTRODUCTORY SECTION



February 23, 2016

To the Mayor, City Commissioners and Citizens of the City of Newport, Kentucky:

We are pleased to present the Comprehensive Annual Financial Report of The City of Newport, Kentucky (the City or Newport) for the fiscal year ended June 30, 2015 (FY 15).

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Newport's management. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and the results of operations of the City. To provide a reasonable basis for making these representations, management of the City has established internal controls that are designed both to protect its assets and the integrity of its operations, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). All disclosures necessary to enable an understanding of financial activities have been included. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Commonwealth of Kentucky requires that all general purpose governments publish, within six months of the close of its fiscal year, a complete set of financial statements prepared in accordance with GAAP, consistently applied, and audited by a firm of independent certified public accountants. RFH, PLLC, engaged by Newport to audit its FY 15 financial statements, issued an unmodified (clean) opinion on the financial statements for the fiscal year ended June 30, 2015, indicating that the City's financial statements are fairly presented in conformity with GAAP. The Independent Auditors' Report is included as the first component of the financial section of this report.






The independent audit of the financial statements of the City is part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require an independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with Federal Program requirements. In this fiscal year, a single audit was not required as the City did not meet the \$500,000 expenditure threshold of Federal grant funds.

The Government Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the Financial Statements in the form of a Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.

The Financial Statements for the City consist of the Statements of Net Position, Statements of Revenue, Expense and Changes in Net Position, and Statements of Cash Flows. Notes to the Financial Statements are an integral part of the financial statements and should be read to better understand the reports presented.

City of Newport Overview

The City of Newport, founded in 1795, is located in the northern most part of the state, situated directly across the Ohio River from Cincinnati, Ohio, occupies a land area of 3 1/2 square miles and serves a population of approximately 16,000. The City's operations are primarily funded through the levying of taxes with major revenues from taxation on:



-  Gross payroll
-  Insurance premium
-  Gross receipts (business)
-  Bank deposits
-  Personal and Real property

Overseeing operations of the City is the City Manager, Thomas Fromme. According to the International City/County Management Association, the council-manager form of government “combines the strong political leadership of elected officials with the strong managerial experience of an appointed manager or administrator. All power and authority to set policy rests with an elected governing body, which includes a mayor or chairperson and members of the council, commission, or board. The governing body in turn hires a nonpartisan manager who has very broad authority to run the organization.”

Council (or Commission)-Manager has been Newport's form of government since 1932 and under such the voters elect only the City Commission, which appoints a City Manager to administer municipal affairs under its supervision. The Commission acts only collectively, and its individual members, including the Mayor, have no administrative functions. The Board of Commissioners is elected on a non-partisan basis for a two year term, while the Mayor serves a four year term. The next election for the Offices of City Commissioner and Office of the Mayor will be held on November 1, 2016.

The City Manager, subject to the general supervision of the Commission, is in full charge of the administration of municipal affairs, preparing the budget, appointing and dismissing personnel, directing the work of municipal departments, and attending Commission meetings, in which recommendations on municipal business are presented and an active part in discussions is taken. In directing daily operations of the City, the Manager is responsible for ensuring effective and efficient government service. Every City employee ultimately answers to the City Manager, so the Manager has the right to hire and fire staff as appropriate and allowable by law.

Departments over which the City Manager supervises are as follows:

-  Police – An accredited, forty-one member department with divisions of administration, patrol, traffic, and investigation.
-  Fire – Thirty-seven member department with divisions of administration, headquarters, education and prevention, emergency medical services, and South Newport.

- Community services – employs eleven full-time and nineteen seasonal in the divisions of administration, Veteran’s pool, public works, parks and recreation, refuse, and municipal building maintenance.
- Development services – under which new or rehabilitation development plan review, building permit, and code enforcement services are conducted. They employ five full time.
- Finance and Administration – Five full time and two part time personnel perform accounts payable, accounts receivable, management analyzation and reporting functions, property tax collection, business and rental licenses and fees collection as well as budget assistance and tracking.

In addition to the aforementioned departments and related activities, the governing body and City Manager bear responsibility for funding the policemen’s and firefighter’s retirement fund and City employees’ retirement fund as well as The Newport Foundation (a 501c3 arm of the City): therefore, these activities are included in the annual report.

The policemen’s and firefighter’s and the City employees’ retirement funds are self-funded plans under which those who retired before 1988 are still paid. The funds are considered fiduciary funds, which are funds used to account for assets held in trust by the City in a trustee capacity and cannot be used to support any other program. Additional information on the fund can be found in the auditor’s “Notes to the financial statements” on pages 34 - 60. The City has been a participant in the City and County Employees Retirement System (CERS) through the Commonwealth of Kentucky since August, 1988¹.

The Newport Foundation is a non-profit company established by the City for the main purpose of facilitating the City's many festivals and community special events. This organization provides citizens and corporate sponsors an avenue to make tax -free charitable donations to the City's community festivals. It is presented in the annual report as a “discretely presented component unit” with its own financial statements on pages 32 – 33. A discretely presented component unit is an organization that is legally separate and tax-exempt but the economic resources received or held are almost entirely for the direct benefit of the primary government or its constituents.

The Housing Authority of Newport (HAN) maintains close ties with the City, although it is **not** a component unit of the City as defined by the pronouncements of the Government Accounting Standards Board. The City is not financially accountable for the operations of HAN, has no responsibility to fund deficits or receive surpluses, and does not guarantee HAN’s debt. The City provides HAN with grants from the City’s CDBG (Community Development Block Grant) allocations for project specific development efforts.

Funding for operations is planned through the annual budget which serves as the main financial control foundation. Department heads work with the Finance Department to create a requested budget. The City Manager uses these requests as the starting point for developing

¹ The Government Accounting Standards Board (GASB) passed GASB statement 68 in June, 2012. Effective in fiscal year 2015, this statement will require those that participate in “cost-sharing, multiple employers” plans, like CERS, to include a representative portion of the plans’ unfunded liability on the City’s balance sheet. The Kentucky Retirement Systems actuaries calculated Newport’s percentage of unfunded liability at June, 2014 to be a total of 1.009127% equating to \$15,416,851. This amount is shown mainly on pages 21 and 26.

the proposed budget for review by the Board of Commissioners. The final budget must be adopted by June 30th.

The City Manager can make transfers of appropriations between departments without the approval of Board of Commissioners but the Board of Commissioners must approve revisions to the budget that would alter total revenues and expenditures of any fund, noting that expenditures may not legally exceed budgeted appropriations at the fund level. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Economic Condition and Outlook

Like every other major metropolitan area in the United States, metropolitan-Northern Kentucky was initially adversely impacted by the global economic recession. But many local and national economists have stated that metropolitan-Northern Kentucky and Cincinnati remain attractive places to live, work and invest because the fundamentals are quite strong, the weather typically moderate, the overall workforce is educated, a concentration of excellent colleges and universities can be found, and all major U.S. cities are accessible from the Cincinnati-Northern Kentucky International Airport. As such economists have stated that, given these fundamentals, the region's economic recovery and overall outlook remain better than that of the nation.

While other cities are tiptoeing out of the recession, Newport is practically running: the riverfront community has seen an explosion of growth during the last two years – and even more is on the horizon, indicated a November 8, 2013 Northern Kentucky Enquirer article. Notably, in the last fiscal year, with the addition of several retail establishments and chain eateries, expansion of other recent business residents, hundreds of employment opportunities were created, thereby increasing the median wage in the community as well as the payroll and business tax base for the City.

Spotlighting:

- 🌐 Ethos Research & Development LLC – improves the lives of patients with chronic pain disorders, and Studio Vertu – a gift manufacturer that has sold over 17 million marble tiles and coasters around the world.
- 🌐 Nexigen made Newport, KY its home in 2013 and since then has garnered impressive market share across the region. Core focuses include technology management, cloud solutions, and cyber security, providing the same to over 1000 businesses across the United States.

Since moving to Newport, KY Nexigen has won numerous awards including Cincinnati's Fast 55, NKY's Emerging 30, Newport's Business Community Leadership, INC 5000 national list, CRN's national top 250 MSP's. Over the last 4 years Nexigen has grown at over 40 percent annually, increasing its staff to nearly 45 technical resources including two solution architects. Operating out of a 20,000 sq. ft. facility, a 24/7 network operations center runs serving clients across the globe.

In 2014, development capability was realized with the purchase of Nimblesoft, which moved to Nexigen's HQ on 11th Street and added more jobs to the local scene.

Nexigen founded Tech Defenders a High School Cyber Defense program in 2015. So far this program has reached over 20 students on a weekly basis over the course of 14

weeks. Nexigen has partnered with NKCAC and Newport Independent Schools for the pilot program of Tech Defenders. We believe this program will expand rapidly across the region.

“We have founded so many fruitful relationships during our time here and have never felt more at home since moving to Newport” Jon Salisbury, Co-Founder of Nexigen, stated when reflecting upon the past 4 years, “truly the best decision Nexigen has made.”

- 🌍 **Newport Pavilion and Plaza:** Bluegrass Urgent Care – fast, complete medical care and outside of regular doctor office hours, Flipdaddy’s – gourmet burgers with a proprietary blend of beef and craft beers, and Hot Head Burritos – casual, Chipotle-style fare.

Priorities for the next year

The City’s focus remains to re-make Newport into an inviting place to live, work, and play. In pursuit of that goal, City Commissioners and the City Manager have identified a number of items on which to concentrate in the coming fiscal years including continued pursuit of and negotiations with businesses desiring to locate in the City, infrastructure, building, and equipment needs, riverfront mandates and continued improvements, fiscal soundness. Highlighting just the next year:

Economically

- 🌍 Additional professional relocations under negotiation to One Riverfront Place, and Newport on the Levee.
- 🌍 Continued improvements on Monmouth Street and the welcoming of Fresh Thyme to supplant Remke Markets in the Newport Plaza.
- 🌍 Begin development of the 4th Street school lot, the Peace Bell lot, and begin construction of the skywheel on the river front.

Structurally

- 🌍 Completion of: Riverfront improvement grant Phase III, Memorial Parkway median improvement, Carothers Rd. Phase II design and expansion, Monmouth Street electrostatic painting of poles, benches, and trash cans, and continuation of street sign replacement.
- 🌍 Identification and prioritization of street and sidewalk repairs and/or resurfacing, median improvements as well as continuation of conversion to LED street lights.

Financially

- 🌍 Creation of a landlord training program to increase awareness of local and state requirements, therefore increasing compliance.
- 🌍 Continued exploration of consolidated services opportunities.
- 🌍 Reduction and eventual deletion of the tax anticipation note.
- 🌍 Implementation internally of updated software and hardware for improved efficiency and growth in license and taxation tracking.

- 🌐 Relocation of the public works garage into a renovated Trauth Dairy building that the City has purchased for greater maintenance capacity.
- 🌐 Issuance of general obligation bonds for the main purposes of underground utility installation along the Commonwealth's expansion of the Route 9 corridor, multiple public projects, and multiple miscellaneous capital improvements.

The City is in dynamic times, mending outdated financial policies and procedures, prioritizing delayed repairs and maintenance, creating five year plans for streets, equipment, and the municipal complex, while enticing entrepreneurs, expanding businesses, and artisans to create a unique community wherein all who work and play can find enjoyment.

Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance and Administration Department with special thanks to Leonard Kuntz, Finance Officer, for his continued devotion to the City's financial standing and reporting.

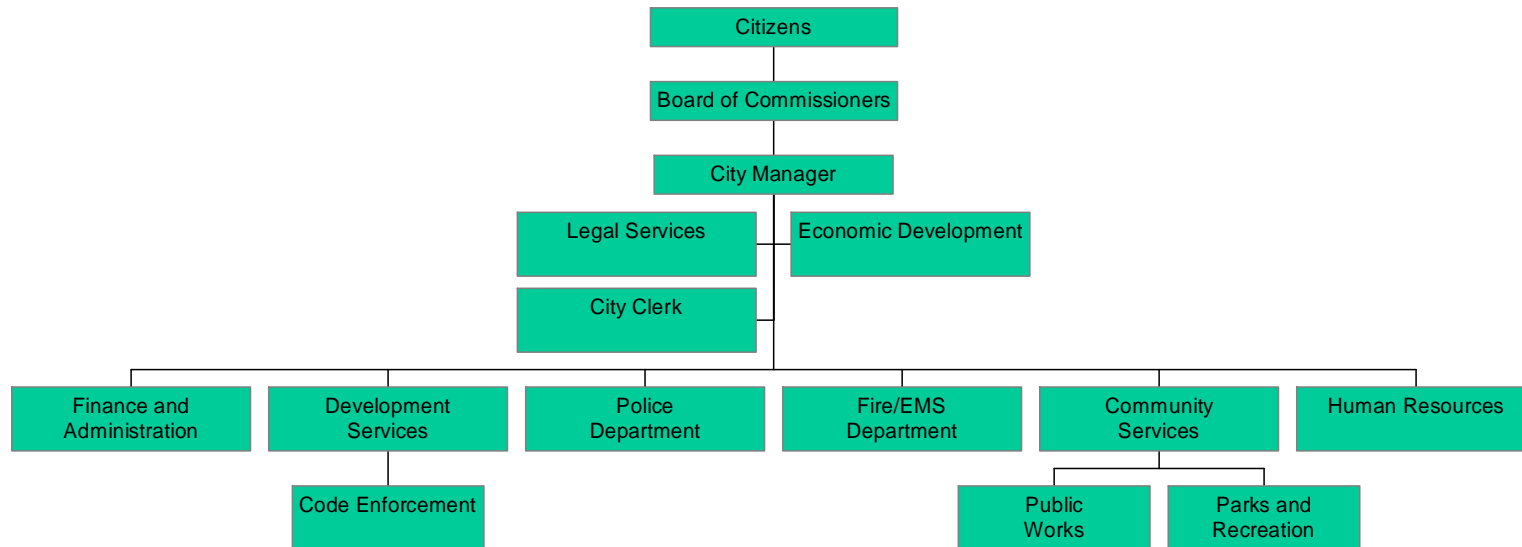
We wish to thank all of the City's departments for their assistance in providing the data necessary to prepare this report. Tribute also is due to the Mayor, the Commission, and the City Manager for their unfailing support in maintaining the highest standards of professionalism in the management of the City of Newport's finances.

Sincerely and respectfully submitted,

A handwritten signature in blue ink, appearing to read 'C.R. Wirthlin', is written in a cursive style.

C.R. Wirthlin
Chief Financial Officer

City of Newport, Kentucky Organizational Structure



CITY OF NEWPORT, KENTUCKY

LIST OF PRINCIPAL OFFICIALS

For the Year Ended June 30, 2015

Mayor

Jerry Peluso

Commissioners

Thomas L. Guidugli, Jr.

Frank T. Peluso, Sr.

Elisabeth Fennell

John C. Hayden

City Manager

Thomas J. Fromme

Department Heads

Chief Financial Officer - C.R. Wirthlin

Chief of Police - Thomas Collins

Fire/EMS Chief - Gary Auffart

Development Services - Greg Tulley

Community Services - Doug Roell

Office of City Manager

City Attorney - Daniel R. Braun

City Clerk - Amy B. Able

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Commission
City of Newport, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City of Newport, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Newport, Kentucky, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11-20, budgetary comparison information on pages 61-67, schedule of net pension liability and schedule of contributions on pages 68-75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2016, on our consideration of the City of Newport, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newport, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
March 8, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Newport, Kentucky's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's basic financial statements, which begin on page 21.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 21 and 22) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 23. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

GASB 68






Passed in June, 2012, the new standards are intended to: enhance usefulness of employer-level pension information in financial reports, improve transparency —Kentucky Retirement Systems – County Employee Retirement System's liability is shared by all participants (employers) in the plan, and make it easier to compare public pension plans by standardizing financial reporting requirements. GASB 68 requires the annual *government-wide* financial statements to include the proportionate share of **net pension liability**, the proportionate share of **pension expense**, additional pension-related note disclosures (**Notes to Financial Statement, page 53**), and additional pension-related **Required Supplemental Information**. The City's calculated share for FY 15 is \$15,416,851.

It is a standard for preparing financial statements, not for funding, and contribution rates will be determined in the same manner as in the past. Employers, like the City of Newport, will now be required to account for their share of the unfunded liability but they are not required to fund that liability beyond the rates established in accordance with KRS 61.565(6).




Reporting the City as a Whole

Financial Highlights (with GASB 68)

- The assets of the City exceeded its general liabilities at the close of the most recent year by **\$4,030,893** with the addition of the unfunded pension liability of \$15,416,851. This is the City's net position. For the statement of net position, refer to page 21.

-  The City's total net position improved this year by \$1,831,529 over last year, keeping in mind the restatement of FY 14 with the pension liability. Net position of governmental activities increased **\$2,173,209** and net position of business-type activities decreased by **\$341,680**. The changes in net position were the result of the implementation of GASB statement 68, the refinancing of some long-termed debt, and increase in capital assets.
-  As of June 30, 2015, the City's governmental funds reported a combined ending fund balance of **\$2,497,901**, a decrease of **\$264,608** in comparison to the prior year.
-  At the end of the current fiscal year, unassigned fund balance for the general fund was **\$1,944,398**, shrinkage of **\$349,160** over fiscal year 2014. Throughout fiscal year 2015, the general fund maintained to sustain transfers to other funds to support additional capital improvements.
-  The City's total debt decreased by **\$3,127,656** due to the payment of principal on outstanding debt.
 -  Newport's debt total, including general obligation and revenue bonds and lease financed, is \$44,362,971. Of that, \$25,195,000 is related to Newport on the Levee garage, leaving \$19,167,971 related to general fund obligations.

Financial movement without consideration of GASB 68 (pension liability) is as follows:

-  The general assets outpaced liabilities by \$12,563,721
-  Total net position (including business [refuse and NOL] activity) improved by \$980,557, governmental activities by \$1,327,675, business activities decreased by **\$347,118**.
-  Fund and debt figures are unchanged.

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account when they are measurable, regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position, the difference between assets, what the taxpayers own, and liabilities, what the taxpayers owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax

base, franchise fee base, and the condition of the City's capital assets (roads, buildings, equipment and sidewalks) to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- 🌐 Governmental activities: most of the City's basic services are reported here, including the police, fire, emergency medical services, street maintenance, parks and recreation, and general administration. Payroll license fees, insurance license fees, property taxes, and gross receipts license fees finance most of these activities.
- 🌐 Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's refuse operations and Newport on the Levee parking operations are reported in this activity.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analyses of the City's major funds begin on page 23 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law. However, the Board of Commissioners establishes many other funds to help it control and manage money for particular purposes (i.e. Community Development Fund and Capital Projects Fund). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides (**i.e. general fund, community development and capital projects**). Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation beside the fund financial statements.

Proprietary funds: When the City charges customers for the full cost of the services it provides, whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. **For Newport, these are the Refuse (solid waste) and Newport on the Levee Garage funds.**

THE CITY AS A WHOLE

The statement of net position presents information on all of the City of Newport's assets and liabilities, with the differences between the two reported as net position. For the year ended June 30, 2015, net position changed as follows:

RESTATED 2014 NUMBERS FOR GASB 68

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 6,487,079	\$ 5,710,119	\$ 6,362,137	\$ 6,750,170	\$ 12,849,216	\$ 12,460,289
Capital assets	29,660,937	28,610,213	26,921,037	28,499,167	56,581,974	57,109,380
Total assets	\$ 36,148,016	\$ 34,320,332	\$ 33,283,174	\$ 35,249,337	\$ 69,431,190	\$ 69,569,669
Deferred outflows of resources	\$ 1,509,287	\$ 1,262,622	\$ 13,903	\$ 14,229	\$ 1,523,190	\$ 1,276,851
Long-term liabilities	\$ 19,167,971	\$ 20,830,627	\$ 23,605,000	\$ 25,195,000	\$ 42,772,971	\$ 46,025,627
Other liabilities	19,686,694	19,209,837	3,363,822	3,411,692	23,050,516	22,621,529
Total liabilities	\$ 38,854,665	\$ 40,040,464	\$ 26,968,822	\$ 28,606,692	\$ 65,823,487	\$ 68,647,156
Deferred inflows of resources	\$ 1,086,939	\$ -	\$ 13,061	\$ -	\$ 1,100,000	\$ -
Net position:						
Net investment in capital assets	\$ 10,492,966	\$ 7,779,586	\$ 1,726,037	\$ 1,839,167	\$ 12,219,003	\$ 9,618,753
Restricted	81,193	35,464	4,517,219	4,865,770	4,598,412	4,901,234
Unrestricted	(12,858,460)	(12,272,560)	71,938	(48,063)	(12,786,522)	(12,320,623)
Total net position	\$ (2,284,301)	\$ (4,457,510)	\$ 6,315,194	\$ 6,656,874	\$ 4,030,893	\$ 2,199,364
(without pension liability)	\$ 12,563,721	\$ 11,236,046				

There was an increase of **\$2,173,209** in net position for governmental activities. The City has endeavored to better its cash position while reducing liabilities as much as possible. As commercial properties are added to the property tax roll, thus the property tax receivable inflates. Moreover, an increase in capital purchases means that depreciation of current assets is not outpacing the purchase of new assets. The largest additions were resurfacing parts of Riverboat Row, John St., Dayton St., Hamlet St., Saratoga St., Park Ave., 8th St., Patterson St., Prospect St., Isabella St., and Ann St.

There was a decrease in net position of **\$341,680** for business-type activities resulting primarily from part of a bond payment for the Levee garage disbursed from a restricted-for-that-purpose investment account. Long-term liabilities were also greatly reduced by principal payments on the Series-A bonds.

Governmental Activities

Governmental activities increased the net position of the City of Newport by **\$2,173,209** during FY2015. The FY 14 numbers are as presented in last year's audit and the unfunded pension liability is noted as a prior period change as summarized on the following chart:

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,154,884	\$ 1,017,135	\$ 6,034,346	\$ 5,759,821	\$ 7,189,230	\$ 6,776,956
Operating grants and contributions	1,141,755	1,098,265	-	-	1,141,755	1,098,265
Capital grants and contributions	586,025	4,176,657	-	-	586,025	4,176,657
General revenues:						
Property taxes	2,617,516	3,756,250	-	-	2,617,516	3,756,250
Other taxes	307,037	285,302	-	-	307,037	285,302
Payroll license fees	5,724,313	5,276,794	-	-	5,724,313	5,276,794
Gross receipts license fees	1,885,917	1,671,196	-	-	1,885,917	1,671,196
Insurance premium fees	2,943,775	2,981,708	-	-	2,943,775	2,981,708
Other licenses and permits	760,895	631,232	-	-	760,895	631,232
Franchise fees	667,857	701,437	-	-	667,857	701,437
Other uses of property	483,249	517,532	-	-	483,249	517,532
Grants - non-program specific	-	-	-	-	-	-
Other	7,662	15,944	304,613	304,395	312,275	320,339
Total revenues	\$ 18,280,885	\$ 22,129,452	\$ 6,338,959	\$ 6,064,216	\$ 24,619,844	\$ 28,193,668
Expenses:						
General government	\$ 1,829,592	\$ 1,811,096			\$ 1,829,592	\$ 1,811,096
Police	4,973,609	4,864,165			4,973,609	4,864,165
Fire	4,451,947	4,325,418			4,451,947	4,325,418
Development services	708,249	1,712,783			708,249	1,712,783
Community services	2,987,731	3,124,678			2,987,731	3,124,678
Municipal complex	347,091	307,821			347,091	307,821
Interest on long-term debt	794,518	974,019			794,518	974,019
Solid waste collection	-	-	1,124,065	1,112,668	1,124,065	1,112,668
Parking facility operation	-	-	5,511,513	8,514,839	5,511,513	8,514,839
Total expenses	\$ 16,092,737	\$ 17,119,980	\$ 6,635,578	\$ 9,627,507	\$ 22,728,315	\$ 26,747,487
Increase in net position before transfers	2,188,148	5,009,472	(296,619)	(3,563,291)	1,891,529	1,446,181
Gain (loss) on disposal of assets		(49,000)			-	(49,000)
Transfers	(14,939)	(16,788)	(45,061)	(43,212)	(60,000)	(60,000)
Increase in net position	\$ 2,173,209	\$ 4,943,684	\$ (341,680)	\$ (3,606,503)	\$ 1,831,529	\$ 1,337,181
Net position - Beginning of year	11,236,046	6,292,362	6,807,951	9,900,337	18,043,997	16,192,699
Prior period adjustment	-	-	-	514,117	-	514,117
Prior period adjustment (GASB 68)	(15,693,556)	(15,693,556)	(151,077)	(151,077)	(15,844,633)	(15,844,633)
Net position - End of year	\$ (2,284,301)	\$ (4,457,510)	\$ 6,315,194	\$ 6,656,874	\$ 4,030,893	\$ 2,199,364

- Total revenues for the City's governmental activities totaled **\$18,280,885** compared to **\$22,129,452** last year.
- Payroll license fees totaled **\$5,724,313** or **31.3%** of the total revenues. This was an increase of **\$447,519** from last year. The majority of increase stems from new development at the Newport Pavilion, staffing increases at St. Elizabeth medical center and Nexigen, and tenants who expanded at One Riverfront Place.
- Insurance premium license fees represented **\$2,943,775** or **16.1%** of total revenues. There was a slight difference of \$37,933 from the prior year's fees.
- The third largest category of governmental revenues was property tax collection, which includes payments in lieu of property taxes, with a total of **\$2,617,516**, or **14.3%** of total revenues, a decrease of **\$1,138,734**; however **\$1,750,000** of FY

- 14's property tax income was due to a one-time event. Therefore, property tax is truly boosted in FY 15 by \$611,266, of which \$542,000 is from a one-time event, leaving \$69,266 attributable to a slightly higher rate.
- Gross receipts license fees totaled **\$1,885,917** and accounted for 10.3% of total revenues. This amount represents an increase of **\$214,721** from the previous year. With development continuing and the economy recovering, all revenues are experiencing growth.
 - This year total expenses for the City's governmental activities were **\$16,092,737** compared to **\$17,119,980** last year. Further explanation can be found below in ***Financial Analysis of the Government's Funds***.

Business-type Activities

- Revenues for business-type activities totaled **\$6,338,959**, a slight increase over **\$6,064,216** last fiscal year compared to **\$9,022,507** in FY 14. Of this total, **\$6,034,346** or **95%** was from charges from services. Total revenue showed a rise of **\$274,743**, which stems from parking revenue and garbage fees. A cut in the sales tax reimbursement through the Commonwealth of Kentucky, a deterioration of the aquarium residual rent, and overall waning of parking fees at the Newport on the Levee parking garage created the difference from FY 14.
- Expenses for business-type activities totaled **\$6,635,578** versus **\$9,627,507** last fiscal year compared to **\$7,080,477** FY 14, with the majority of costs coming from the Levee parking garage operations, of which payments back to the guarantor of the bonds was not required in FY 15.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on revenues, expenditures, and net spendable resources.

As of **June 30, 2015**, the City's governmental funds reported combined ending fund balance of **\$2,497,901**, a decrease of **\$264,608** from the prior year. Of the total fund balance, the unassigned portion of the balance is **\$1,940,667**.

The General Fund is the main operating fund of the City. At the end of the fiscal year, the total fund balance in the General Fund was **\$2,039,112**, which represents a decrease of **\$294,919** over the prior year. As it has in recent years, the City's amended General Fund budget showed a surplus. This surplus was 49.4% comprised of a one-time influx of a Bond Anticipation Note issued specifically for the immediate purchase of a Trauth Dairy truck garage on the southeast corner of 11th and Monmouth St. The remainder would be the sharp upturn in property taxes and payroll occupational license fees.

While revenues have been trending upward, due to inflation and union negotiations, it is merely a matter of time before expenses could outpace realized gains; therefore, the

Finance Department continues to recommend items that will stabilize future budgets. Those are:

- ⊗ Adopting a property tax rate that takes the maximum 4% increase allowed by Kentucky State Statutes. This could lead to an increase in total tax revenue of \$80,000 to \$100,000.
- ⊗ More useful and productive monitoring of departmental operational expenses.
- ⊗ Reduced reliance on short-term borrowing.
- ⊗ Strategic plan for capital needs replacement.
- ⊗ Additional education for department heads on budget tracking.
- ⊗ Implementation and enforcement of written standard procedures in all segments of the Finance and Administration Department.

The Community Development Fund's fund balance increased **\$34,074**. At the end of the fiscal year, the total fund balance in the Community Development Fund was **\$462,520**. Funds from Community Development are being used to purchase blighted properties throughout the City for eventual use by the Newport Housing Authority's (Neighborhood Foundation, Inc.) home ownership programs. The Monmouth Street façade program also runs through this fund. Its purpose is to reimburse business owners on Monmouth Street up to \$7,500 toward an upgrade to the street front.

The Capital Project Fund's fund balance decreased **\$3,763**. At the end of the fiscal year, the total fund balance in the Capital Projects Fund was negative **\$3,731**. Funds from Capital Projects are being used make significant infrastructure improvements in the City through the use of grants and funding through the General Assembly in Frankfort. Many grants are matching in nature and require the City to match at least 20% of the total grant. The City is usually responsible for any and all overruns. The matches must be included in the budgeted figures to accurately anticipate balanced funds.





Proprietary Funds

The City's proprietary funds provide the same information found in the government-wide financial statements. See "Business-type Activities" above.

GENERAL FUND BUDGETARY HIGHLIGHTS

Toward the end of the fiscal year, the Board of Commissioners revise the General Fund budget to make any necessary adjustments to beginning fund balance and to increase/decrease revenues and expenditures to more closely reflect the anticipated actual revenues and expenditures for the year.

The amended General Fund revenue budget (excluding other funding sources and beginning budgetary fund balance) was **\$2,020,126** higher than the original budget amount. The most significant changes were as follows:

-  **\$600,698** surge in property taxes due to updated or new commercial properties
-  **\$133,695** increase to insurance premium taxes
-  **\$758,126** addition to payroll license fees (occupational license fees)
-  **\$177,479** increase to uses of property

The revised General Fund expense budget (including transfers) was approximately **\$2,009,636** higher than the original appropriation. The changes to the budget were:

- 🌐 General Government **\$38,095** [actual expenses lower]
- 🌐 Police Department **\$(178,480)** [actual expenses lower]
- 🌐 Fire Department **\$(56,656)** [actual expenses lower]
- 🌐 Development Services **\$34,709**
- 🌐 Community Services **\$410,794**
- 🌐 Capital Outlay **\$1,491,127** [actual expenses lower]
- 🌐 debt service **\$(27,771)** [actual expenses lower]
- 🌐 transfers out **\$268,400** [actual expenses higher]

Actual General Fund revenues (including transfers in) were **\$206,855** higher than the amended budget numbers. There were several variances, both high and low, with the largest difference in payroll (occupational license fees), which was **\$161,734** more than budgeted, charges for service were **\$59,563** greater and then at the other end, fines and forfeitures totaling **\$29,442** under budget.

The actual expenses for the General Fund (excluding transfers) were **\$644,706** lower than the amended budget. Comprising this total were departmental results as listed:

General Government (City Manager's Office and Finance Dept.)	\$ 52,711
Police Department	\$ 84,624
Fire Department	\$ 46,480
Development Services (Building, Zoning, Code Enforcement)	\$ 19,317
Community Services (Admin., Pool, Public Works, Parks & Recreation)	\$ 74,606
Municipal Complex	\$ 35,529
Capital Outlay	\$ 370,680
Debt Service	\$ 1,557
Transfers out	\$ (40,798)
	<u>\$ 644,706</u>

DEBT AND CAPITAL ASSET ADMINISTRATION

Debt

At year-end, the City had, net of GASB 68, **\$50,406,636** in total outstanding payables, notes, capital leases, compensated absences and bonds compared to **\$52,532,809** last year.

Compensated absences rose \$76,860, the Tax Anticipation Note was paid July 2nd rather than June 30th causing an increase in short term obligations of \$900,000, plus the Bond Anticipation Note, paid with the general obligation bond issuance in November, 2015, of \$1,061,000.

The City's total *long-term* debt for governmental activities decreased by **\$1,662,656** and decreased by **\$1,465,000** for business-type activities during the fiscal year, while the accounts payable experienced a decline of **\$969,384**.

This accounts for 96.8% of the overall difference.

DEBT PRINCIPAL						
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Bonds payable						
(backed by City revenues)	\$ 10,400,000	\$ 11,225,000	\$ -	\$ -	\$ 10,400,000	\$ 11,225,000
Bonds payable						
(backed by fee revenues)	-	-	25,195,000	26,660,000	25,195,000	26,660,000
Compensated absences	1,165,910	1,089,050	-	-	1,165,910	1,089,050
Notes payable						
(backed by City revenues)	8,767,971	9,599,859	-	-	8,767,971	9,599,859
Capital lease obligations						
(backed by City revenues)	-	5,768	-	-	-	5,768
Totals	\$ 20,333,881	\$ 21,919,677	\$ 25,195,000	\$ 26,660,000	\$ 45,528,881	\$ 48,579,677

For additional information concerning the City's debt please refer to Notes E and F, to the financial statements, as well as Note G, pages 44 – 49.

Capital Assets

At the end of June 30, 2004, the City reported for the first time all of its infrastructure. The infrastructure is reported at cost along with the accumulated depreciation. At June 30, 2015, capital assets, before accumulated depreciation, amounted to **\$112,140,762** million including equipment, vehicles, buildings, park facilities, streets and sidewalks. This represents a net increase of **\$2,447,630** or 2.2 percent, over last year.

Capital assets for governmental and business-type activities are summarized in the following table:

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 6,643,433	\$ 6,641,209	\$ 9,196,274	\$ 9,196,274	\$ 15,839,707	\$ 15,837,483
Land improvements	41,267,892	37,542,989	26,281	26,281	41,294,173	37,569,270
Buildings and systems	7,051,181	5,931,949	40,145,437	40,075,937	47,196,618	46,007,886
Parking garage	-	-	-	-	-	-
Machinery and equipment	2,534,146	2,471,983	-	-	2,534,146	2,471,983
Licensed vehicles	4,595,907	4,426,740	-	-	4,595,907	4,426,740
Non licensed vehicles	275,994	275,994	-	-	275,994	275,994
Construction in progress	404,217	3,103,776	-	-	404,217	3,103,776
Subtotals	\$ 62,772,770	\$ 60,394,640	\$ 49,367,992	\$ 49,298,492	\$ 112,140,762	\$ 109,693,132
Accumulated depreciation	33,111,833	31,784,427	22,446,955	20,799,325	55,558,788	52,583,752
Net Capital Assets	\$ 29,660,937	\$ 28,610,213	\$ 26,921,037	\$ 28,499,167	\$ 56,581,974	\$ 57,109,380

This year's major additions included:

Miscellaneous street projects

	404,217
\$	404,217

For additional information concerning the City's capital assets please refer to Note D in the Notes to Financial Statements on pages 43 and 44.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As previously mentioned in the letter of transmittal on pages 4 and 5, overall economic outlook for the City is positive. It is noteworthy to also mention two tax increment finance district developments are planned, meaning that those particular areas will be eligible to receive tax funding from Campbell County and the Commonwealth of Kentucky in addition to funding from the City for use specifically in those areas.

It is anticipated the TIFs will be activated by the developer within the next two fiscal years. They have been named Ovation and City Center, with Ovation slated to construct a multi-storied residential/business building located near the mouth of the Ohio/Licking River intersection.

For fiscal year 2016, General Fund revenues are projected to increase compared to the previous year at **\$17,072,345**; however, revenues are trending higher than anticipated. The fiscal year 2016 and beyond revenue budgets are tailored to increase the City's reserves gradually and reduce reliance on short term borrowing and grant funds for capital expenditures.

Operating expenditures are expected to increase as well, due mostly to contracted wage and benefit growths for the union employees and slow addition of positions.

NEWPORT FOUNDATION: 501(c)3

The Newport Foundation operates as a component unit of the City with the mission of investing in the City through charitable donations for public programs and events as well as the furtherance of improving housing stock in partnership with the Housing Authority of Newport (registered as Neighborhood Foundations, Inc.) and its non-profit arms of Newport Millennium Housing Corporations III and IV.

For the fiscal year ended June 30, 2015 the net position of the Newport Foundation increased by **\$42,893** leaving a balance of **\$74,541** resulting from an increase in assets held for sale. The Newport Foundation had a net loss from operations of **(\$43,682)** but an operational transfer from General Fund and gain on sale of fixed assets realized an overall gain of **\$42,893**.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager's Office or the Department of Finance and Administration, Chief Financial Officer at 998 Monmouth Street, Newport, Kentucky 41071.

BASIC FINANCIAL STATEMENTS

CITY OF NEWPORT, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total	Discretely Presented Component Unit
Assets				
Cash and cash equivalents	\$ 2,426,464	\$ 511,886	\$ 2,938,350	\$ 137,169
Receivables:				
Property taxes	221,489	-	221,489	-
Loans	377,515	-	377,515	-
Accounts	2,897,262	194,138	3,091,400	33,646
Intergovernmental	341,626	-	341,626	-
Accrued interest	-	151,292	151,292	-
Prepaid expenses	13,521	-	13,521	-
Assets held for sale	-	-	-	133,821
Noncurrent assets:				
Restricted cash	81,193	1,160,084	1,241,277	-
Restricted investments	-	4,424,688	4,424,688	-
Internal balances	128,009	(79,951)	48,058	(48,058)
Capital assets:				
Land and construction in progress	7,047,650	9,196,274	16,243,924	-
Depreciable capital assets, net	<u>22,613,287</u>	<u>17,724,763</u>	<u>40,338,050</u>	<u>-</u>
Total Assets	<u>36,148,016</u>	<u>33,283,174</u>	<u>69,431,190</u>	<u>256,578</u>
Deferred Outflows of Resources				
Deferred outflows - pension	<u>1,509,287</u>	<u>13,903</u>	<u>1,523,190</u>	<u>-</u>
Liabilities				
Accounts payable	758,733	204,186	962,919	32,781
Accrued liabilities	401,125	2,785	403,910	-
Accrued interest payable	129,556	1,067,553	1,197,109	-
Short - term debt obligations	1,961,000	-	1,961,000	-
Unearned revenue	-	352,817	352,817	149,256
Noncurrent liabilities:				
Compensated absences	1,165,910	-	1,165,910	-
Net pension liability	15,270,370	146,481	15,416,851	-
Other noncurrent liabilities				
Due within one year	1,817,416	1,590,000	3,407,416	-
Due after one year	<u>17,350,555</u>	<u>23,605,000</u>	<u>40,955,555</u>	<u>-</u>
Total Liabilities	<u>38,854,665</u>	<u>26,968,822</u>	<u>65,823,487</u>	<u>182,037</u>
Deferred Inflows of Resources				
Deferred inflows - pension	<u>1,086,939</u>	<u>13,061</u>	<u>1,100,000</u>	<u>-</u>
Net Position				
Net investment in capital assets	10,492,966	1,726,037	12,219,003	-
Restricted for:				
Debt service	-	4,517,219	4,517,219	-
Other	81,193	-	81,193	-
Unrestricted	<u>(12,858,460)</u>	<u>71,938</u>	<u>(12,786,522)</u>	<u>74,541</u>
Total Net Position	<u>\$ (2,284,301)</u>	<u>\$ 6,315,194</u>	<u>\$ 4,030,893</u>	<u>\$ 74,541</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs:		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Discretely Presented Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:	Expenses							
General government	\$ 1,829,592	\$ 236,143	\$ 97,000	\$ -	\$ (1,496,449)	\$ -	\$ (1,496,449)	\$ -
Police	4,973,609	279,813	358,948	-	(4,334,848)	-	(4,334,848)	-
Fire/EMS	4,451,947	534,085	238,165	-	(3,679,697)	-	(3,679,697)	-
Development services	708,249	25,732	-	140,805	(541,712)	-	(541,712)	-
Community services	2,987,731	79,111	447,642	445,220	(2,015,758)	-	(2,015,758)	-
Municipal complex	347,091	-	-	-	(347,091)	-	(347,091)	-
Interest on long-term debt	794,518	-	-	-	(794,518)	-	(794,518)	-
Total governmental activities	16,092,737	1,154,884	1,141,755	586,025	(13,210,073)	-	(13,210,073)	-
Business-type activities:								
Refuse	1,124,065	1,287,365	-	-	-	163,300	163,300	-
Newport on the Levee	5,511,513	4,746,981	-	-	-	(764,532)	(764,532)	-
Total business-type activities	6,635,578	6,034,346	-	-	-	(601,232)	(601,232)	-
Total primary government	\$ 22,728,315	\$ 7,189,230	\$ 1,141,755	\$ 586,025	(13,210,073)	(601,232)	(13,811,305)	-
Discretely presented component unit	\$ 260,096	\$ 216,414	\$ -	\$ -				(43,682)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					2,924,493	-	2,924,493	-
License fees:								
Payroll/Occupational licenses					7,610,230	-	7,610,230	-
Insurance premiums					2,943,775	-	2,943,775	-
Other permits and licenses					760,895	-	760,895	-
Franchise fees					667,857	-	667,857	-
Other uses of property					483,249	-	483,249	-
Interest					3,937	304,613	308,550	110
Miscellaneous					3,785	-	3,785	-
Total general revenues					15,398,221	304,613	15,702,834	110
Gain (loss) on disposal of assets					-	-	-	26,465
Transfers in (out)					(14,939)	(45,061)	(60,000)	60,000
Change in net position					2,173,209	(341,680)	1,831,529	42,893
Net position - beginning, as restated					(4,457,510)	6,656,874	2,199,364	31,648
Net position - ending					\$ (2,284,301)	\$ 6,315,194	\$ 4,030,893	\$ 74,541

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Community Development	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,798,704	\$ 464,520	\$ 56,459	\$ 2,319,683
Receivables:				
Property taxes	221,489	-	-	221,489
Loans	-	377,515	-	377,515
Accounts	2,852,421	-	-	2,852,421
Intergovernmental			341,626	341,626
Prepays and other assets	13,521	-	-	13,521
Due from other funds	619,120	-	-	619,120
Restricted assets:				
Cash and cash equivalents	81,193	-	-	81,193
Total Assets	\$ 5,586,448	\$ 842,035	\$ 398,085	\$ 6,826,568
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 507,179	\$ 2,000	\$ 91,816	\$ 600,995
Accrued liabilities	401,125	-	-	401,125
Due to other funds	285,251	-	310,000	595,251
Short - term debt obligations	1,961,000	-	-	1,961,000
Unearned revenue	392,781	377,515	-	770,296
Total Liabilities	3,547,336	379,515	401,816	4,328,667
Fund Balances:				
Unspendable	13,521	-	-	13,521
Restricted	81,193	-	-	81,193
Committed	-	-	-	-
Assigned	-	462,520	-	462,520
Unassigned	1,944,398	-	(3,731)	1,940,667
Total Fund Balances	2,039,112	462,520	(3,731)	2,497,901
Total Liabilities and Fund Balances	\$ 5,586,448	\$ 842,035	\$ 398,085	\$ 6,826,568
Total governmental fund balances				\$ 2,497,901
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.				29,660,937
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.				770,296
Net position of internal service fund.				98,024
Accrued interest payable on long-term debt.				(129,556)
Long-term liabilities and related pension deferred inflows/outflows, are not due and payable in the current period and therefore are not reported in the funds.				(35,181,903)
Net position of governmental activities				\$ (2,284,301)

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General	Community Development	Capital Projects	Total Governmental Funds
Revenues				
Property taxes	\$ 2,911,967	\$ -	\$ -	\$ 2,911,967
Licenses and permits	11,314,900	-	-	11,314,900
Intergovernmental	1,274,189	-	445,220	1,719,409
Fines and forfeitures	114,879	-	-	114,879
Charges for services	1,029,657	-	-	1,029,657
Uses of property	1,151,106	53,875	-	1,204,981
Interest	2,995	593	251	3,839
Refunds and reimbursements	819	-	-	819
Miscellaneous	2,966	-	-	2,966
Total Revenues	<u>17,803,478</u>	<u>54,468</u>	<u>445,471</u>	<u>18,303,417</u>
Expenditures				
Current:				
General government	1,686,759	-	-	1,686,759
Police	4,620,901	-	-	4,620,901
Fire/EMS	4,089,724	-	-	4,089,724
Development services	599,272	52,945	-	652,217
Community services	1,882,453	-	146,551	2,029,004
Municipal complex	216,689	-	-	216,689
Capital outlay	1,510,447	-	867,683	2,378,130
Debt service:				
Principal	1,662,655	-	-	1,662,655
Interest	806,257	-	-	806,257
Total Expenditures	<u>17,075,157</u>	<u>52,945</u>	<u>1,014,234</u>	<u>18,142,336</u>
Excess (deficiency) of revenues over (under) expenditures	<u>728,321</u>	<u>1,523</u>	<u>(568,763)</u>	<u>161,081</u>
Other Financing Sources (Uses)				
Transfers in	45,058	32,551	565,000	642,609
Transfers out	(1,068,298)	-	-	(1,068,298)
Total Other Financing Sources (Uses)	<u>(1,023,240)</u>	<u>32,551</u>	<u>565,000</u>	<u>(425,689)</u>
Net Change in Fund Balances	<u>(294,919)</u>	<u>34,074</u>	<u>(3,763)</u>	<u>(264,608)</u>
Fund Balances - Beginning	<u>2,334,031</u>	<u>428,446</u>	<u>32</u>	<u>2,762,509</u>
Fund Balances - Ending	<u>\$ 2,039,112</u>	<u>\$ 462,520</u>	<u>\$ (3,731)</u>	<u>\$ 2,497,901</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (264,608)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital asset purchases capitalized	2,378,130
Depreciation expense	(1,327,406)

Revenues in the statement of activities that do not provide current financial resources are fully deferred in the funds.	(22,627)
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Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,662,655
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Change in pension liability	(161,604)
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Accrued interest on long-term debt is reported in the government-wide financial statements and not reported in the governmental funds. This is the change in the amount of interest accrued through year end.	11,739
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An internal service fund is used by management to charge the costs of certain activities, such as health and dental insurance to individual funds. The net revenues (expenses) of the internal service fund are reported with governmental activities.	(26,210)
--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as compensated absences.	(76,860)
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Change in net position of governmental activities	<u>\$ 2,173,209</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business-type Activities-Proprietary Funds			Internal Service Funds
	Refuse	Newport on the Levee	Total Current Year	Health and Dental
Assets				
Current assets:				
Cash and cash equivalents	\$ 424,668	\$ 87,218	\$ 511,886	\$ 106,781
Accounts receivable (net of allowance)	194,138	-	194,138	44,841
Due from other funds	112	-	112	285,140
Accrued interest receivable	-	151,292	151,292	-
Total current assets	618,918	238,510	857,428	436,762
Restricted assets:				
Restricted cash	-	1,160,084	1,160,084	-
Restricted investments	-	4,424,688	4,424,688	-
Total restricted assets	-	5,584,772	5,584,772	-
Noncurrent assets:				
Capital assets (net of depreciation):				
Land	-	9,196,274	9,196,274	-
Land improvements	-	2,482	2,482	-
Building	-	17,722,281	17,722,281	-
Total noncurrent assets	-	26,921,037	26,921,037	-
Total Assets	618,918	32,744,319	33,363,237	436,762
Deferred Outflows of Resources				
Deferred outflows - pension	13,903	-	13,903	-
Liabilities				
Current liabilities:				
Accounts payable	78,295	125,891	204,186	157,738
Accrued liabilities	2,785	-	2,785	-
Accrued interest payable	-	1,067,553	1,067,553	-
Unearned revenue	-	352,817	352,817	-
Bonds payable, current	-	1,590,000	1,590,000	-
Due to other funds	80,063	-	80,063	181,000
Total current liabilities	161,143	3,136,261	3,297,404	338,738
Noncurrent liabilities:				
Bonds payable	-	23,605,000	23,605,000	-
Net pension liability	146,481	-	146,481	-
Total noncurrent liabilities	146,481	23,605,000	23,751,481	-
Total Liabilities	307,624	26,741,261	27,048,885	338,738
Deferred Inflows of Resources				
Deferred inflows - pension	13,061	-	13,061	-
Net Position				
Net investment in capital assets	-	1,726,037	1,726,037	-
Restricted	-	4,517,219	4,517,219	-
Unrestricted	312,136	(240,198)	71,938	98,024
Total Net Position	\$ 312,136	\$ 6,003,058	\$ 6,315,194	\$ 98,024

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Business-type Activities-Proprietary Funds			Internal Service Funds
	Refuse	Newport on the Levee	Total Current Year	Health and Dental
Operating Revenues				
Charges for sales and services:				
Refuse fees	\$ 1,243,095	\$ -	\$ 1,243,095	\$ -
Parking fees	-	3,097,626	3,097,626	-
PILOT fees	-	875,000	875,000	-
Aquarium and IMAX rent assignment	-	694,355	694,355	-
Developer Guaranty Payment	-	80,000	80,000	-
Penalties	44,270	-	44,270	-
Other services	-	-	-	1,618,683
Total Operating Revenues	<u>1,287,365</u>	<u>4,746,981</u>	<u>6,034,346</u>	<u>1,618,683</u>
Operating Expenses				
Cost of sales and services	1,124,065	1,667,430	2,791,495	2,055,741
Depreciation	-	1,647,630	1,647,630	-
Total Operating Expenses	<u>1,124,065</u>	<u>3,315,060</u>	<u>4,439,125</u>	<u>2,055,741</u>
Net Operating Income (Loss)	<u>163,300</u>	<u>1,431,921</u>	<u>1,595,221</u>	<u>(437,058)</u>
Non-Operating Revenues/Expenses				
Interest income	749	303,864	304,613	98
Interest expense	-	(2,196,453)	(2,196,453)	-
Total Non-Operating Income (Loss)	<u>749</u>	<u>(1,892,589)</u>	<u>(1,891,840)</u>	<u>98</u>
Transfer in (out)	<u>(45,061)</u>	<u>-</u>	<u>(45,061)</u>	<u>410,750</u>
Net Income (loss)	<u>118,988</u>	<u>(460,668)</u>	<u>(341,680)</u>	<u>(26,210)</u>
Net Position-Beginning Of Year, as restated	<u>193,148</u>	<u>6,463,726</u>	<u>6,656,874</u>	<u>124,234</u>
Net Position-End Of Year	<u>\$ 312,136</u>	<u>\$ 6,003,058</u>	<u>\$ 6,315,194</u>	<u>\$ 98,024</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Business-Type Activities-Proprietary Funds			Internal Service Funds
	Refuse	Newport on the Levee	Total Current Year	Health and Dental
Cash flows from operating activities				
Cash received from customers	\$ 1,273,749	\$ 4,752,877	\$ 6,026,626	\$ 1,289,682
Cash paid for employee services and benefits	(149,931)	-	(149,931)	-
Cash paid to suppliers	(979,614)	(1,765,983)	(2,745,597)	(1,780,085)
Net cash provided (used) by operating activities	<u>144,204</u>	<u>2,986,894</u>	<u>3,131,098</u>	<u>(490,403)</u>
Cash flows from noncapital financing activities:				
Transfer to other funds	(31,353)	-	(31,353)	410,750
Net cash provided (used) by noncapital financing activities	<u>(31,353)</u>	<u>-</u>	<u>(31,353)</u>	<u>410,750</u>
Cash flows from capital and related financing activities				
Capital assets purchased	-	(69,500)	(69,500)	-
Interest paid on capital debt	-	(2,257,801)	(2,257,801)	-
Principal paid on debt	-	(1,465,000)	(1,465,000)	-
Net cash used by financing activities	<u>-</u>	<u>(3,792,301)</u>	<u>(3,792,301)</u>	<u>-</u>
Cash flows from investing activities				
Interest income	753	302,954	303,707	98
Net cash provided by investing activities	<u>753</u>	<u>302,954</u>	<u>303,707</u>	<u>98</u>
Net increase (decrease) in cash	113,604	(502,453)	(388,849)	(79,555)
Cash at beginning of year	<u>311,064</u>	<u>1,749,755</u>	<u>2,060,819</u>	<u>186,336</u>
Cash at end of year	<u>\$ 424,668</u>	<u>\$ 1,247,302</u>	<u>\$ 1,671,970</u>	<u>\$ 106,781</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 163,300	\$ 1,431,921	\$ 1,595,221	\$ (437,058)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	-	1,647,630	1,647,630	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(13,616)	-	(13,616)	(329,001)
Increase (decrease) in accounts payable	(314)	(98,553)	(98,867)	275,656
Increase (decrease) in accrued liabilities	272	-	272	-
Increase (decrease) in unearned revenue	-	5,896	5,896	-
Increase (decrease) net pension liability	(5,438)	-	(5,438)	-
Net cash provided (used) by operating activities	<u>\$ 144,204</u>	<u>\$ 2,986,894</u>	<u>\$ 3,131,098</u>	<u>\$ (490,403)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

		<u>Total Retirement Plans</u>
Assets		
Cash and cash equivalents		\$ 174,047
Investments		
Bonds	\$ 129,499	
Mutual funds	2,274,013	
Closed end funds	399,897	
Market backed securities	<u>244,617</u>	
Total investments		<u>3,048,026</u>
Total Assets		<u>3,222,073</u>
Liabilities		
Accounts payable		<u>806</u>
Total Liabilities		<u>806</u>
Net Position		
Held in trust for pension benefits		<u>3,221,267</u>
Total Net Position		<u><u>\$ 3,221,267</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	<u>Total Retirement Plans</u>
Additions	
Contributions:	
Employer	\$ -
Total contributions	<u>-</u>
Investment earnings:	
Interest and dividends	194,667
Net (depreciation) in the fair value of investments, including realized gains and losses	<u>(252,136)</u>
Total investment earnings	<u>(57,469)</u>
Total (Losses)	<u>(57,469)</u>
Deductions	
Benefits	596,584
Administrative expense	<u>28,151</u>
Total Deductions	<u>624,735</u>
Change in Net Position	(682,204)
Net Position-Beginning Of Year	<u>3,903,471</u>
Net Position-End Of Year	<u>\$ 3,221,267</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
June 30, 2015

	Newport Foundation
Assets	
Current assets:	
Cash and cash equivalents	\$ 137,169
Accounts receivable (net of allowance)	33,646
Assets held for sale	<u>133,821</u>
Total current assets	<u>304,636</u>
Total Assets	<u>304,636</u>
Liabilities	
Current liabilities:	
Accounts payable	32,781
Unearned revenue	149,256
Due to other funds	<u>48,058</u>
Total current liabilities	<u>230,095</u>
Total Liabilities	<u>230,095</u>
Net Position	
Net investment in capital assets	-
Restricted assets	-
Unrestricted	<u>74,541</u>
Total Net Position	<u>\$ 74,541</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT
For the Year Ended June 30, 2015

	<u>Newport Foundation</u>
Operating Revenues	
Charges for sales and services:	
Special events	\$ 204,413
Miscellaneous	<u>12,001</u>
Total Operating Revenues	<u>216,414</u>
Operating Expenses	
Cost of sales and services	186,518
Contractual services	53,743
Intergovernmental expenses	15,118
Insurance	2,292
Materials and supplies	<u>2,425</u>
Total Operating Expenses	<u>260,096</u>
Net Operating Loss	<u>(43,682)</u>
Non-Operating Revenues/Expenses	
Operating transfer from General Fund	60,000
Interest income	110
Gain on sale of assets held for sale	<u>26,465</u>
Total Non-Operating Income	<u>86,575</u>
Net Income	42,893
Net Position-Beginning Of Year	<u>31,648</u>
Net Position-End Of Year	<u>\$ 74,541</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
For the Year Ended June 30, 2015

	Newport Foundation
Cash flows from operating activities	
Cash received from customers	\$ 319,254
Cash paid to suppliers	<u>(280,452)</u>
Net cash provided by operating activities	<u>38,802</u>
Cash flows from investing activities	
Transfer from General Fund	60,000
Proceeds from the sale of assets held for sale	26,464
Interest income	<u>110</u>
Net cash provided by investing activities	<u>86,574</u>
Net increase in cash	125,376
Cash at beginning of year	<u>11,793</u>
Cash at end of year	<u>\$ 137,169</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (43,682)
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	6,460
Decrease (increase) in assets held for sale	(78,769)
Decrease (increase) in prepaid expenses	450
Increase (decrease) in accounts payable	57,963
Increase (decrease) in unearned revenue	<u>96,380</u>
Net cash provided by operating activities	<u>\$ 38,802</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Newport, Kentucky, (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

Financial Reporting Entity

The City of Newport is a municipality operating under a City Manager form of government. Legislative authority is vested in the Board of Commissioners consisting of the Mayor and four City Commissioners. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each blended component unit of the City has a June 30 year-end. The component units discussed below are included in the City's reporting entity because of the significance of their operational and/or financial relationship with the City.

Included in the Reporting Entity:

City of Newport Employee's Retirement Fund

Certain City employees participate in the non-uniformed Employee's Retirement Fund. The fund functions for the benefit of the retirees and is governed by a seven member board of trustees: the Mayor, the four City Commissioners, the City Manager, and the Chief Financial Officer. The City is obligated to fund all pension benefit costs based upon actuarial valuations. There are no active employees in the plan.

City of Newport Policemen's and Firefighters' Retirement Fund

All public employees who retired prior to August 1, 1988 participate in the Policemen's and Firefighters' Retirement Fund. The fund functions for the benefit of the retirees and is governed by a four member board of trustees: the Mayor, the City Manager, and two public safety retirees. The City is obligated to fund all pension benefit costs based upon actuarial valuations. There are no active employees in the plan.

City of Newport Municipal Properties Corporation

The City of Newport Municipal Properties Corporation was formed to act as an agent and to be instrumental in the financing of public improvements and projects of a capital nature for the City and for the particular purpose of acquiring real estate located within the City and constructing, acquiring and equipping thereon capital improvements, facilities, buildings, structures and related appurtenances. The Corporation finances these projects by the issuance of debt. These debt issues are secured by 1) first mortgage liens on the projects, 2) lease and option agreements between the Corporation and the City, 3) the construction agreements and 4) pledged receipts. The lease and option agreements require the City to pay rental from specified revenues, on a yearly basis with the option to renew each year. If the City renews the lease from year-to-year, and pays the rentals for each year as stipulated, and when the Corporation has fully paid and retired all the bonds, the Corporation agrees it will convey the properties to the City free and clear.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

The Board of Directors of the Corporation consists of the Mayor and the four City Commissioners. The City Manager serves as Treasurer. The City Clerk serves as Secretary.

Newport Foundation, Inc.

The component unit's column in the government-wide financial statements includes the financial data of the City's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City. Newport Foundation, Inc. is included in the City's reporting entity because the primary government is able to impose its will on the organization.

The Newport Foundation was formed in March 2009 as a public charity under section 501(c)(3) of the Internal Revenue Service Code, whose purpose is to facilitate the City's many festivals and community special events. This organization provides citizens and corporate sponsors an avenue to make tax-free charitable donations to the City's community festivals. The organization also facilitates neighborhood and community improvements through the purchase and resale of real property to various neighborhood foundations for revitalization. The Foundation's officers include the City's Mayor, City Manager, City Clerk, and the City's Chief Financial Officer.

Government-wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent, on fees and charges for services.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internal activity with the Health and Dental Fund is eliminated in the statement of activities.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as an expenditure.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, license fees and interest are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following funds of the financial reporting entity:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Community Development Fund is used for other community development projects, including state and federally funded programs. The Capital Projects Fund is used to account for capital projects to be financed by grants and/or financing issues.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports on the following proprietary funds:

The Refuse Fund accounts for trash collection services provided to the residential and business owners within the City limits.

The Newport on the Levee Fund is responsible for operating the garage structure at the Newport on the Levee project and collecting other miscellaneous payments pursuant to a development agreement between the City and the project developer.

The City's only internal service fund is the self-insurance fund for the City's health and dental costs. Additionally, the City reports two fiduciary funds. The pension trust funds account for the activities of the Policemen's and Firefighters' Retirement Fund and Employee's Retirement Fund for the accumulation of resources for pension benefit payments to qualified retired employees.

The City's financial statements also include the Newport Foundation, a discretely presented component unit of the City.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in:

- Obligations of the United States and of its agencies and instrumentalities
- Certificates of deposits
- Bankers acceptances
- Commercial paper
- Bonds of other state or local governments
- Mutual funds

Investments

In accordance with Government Accounting Standards Board Statement No. 31, investments held at June 30, 2015 are recorded at fair value based on quoted market prices.

Property Tax Receivable

Property taxes are levied on September 30 on property values assessed as of January 1. The taxes are billed on approximately September 30 and are due and payable on October 31. On November 1, unpaid bills become delinquent and the City may assess penalties and interest. A lien may be placed on the property on November 1.

Short-Term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables".

Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventory are recorded as an expenditure when consumed rather than when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items utilizing the purchases method for all governmental funds.

Capital Assets

General capital assets are those assets not specifically related to activities in the proprietary fund. These assets are reported in the governmental activities column of the government-wide statement of

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

net position. Capital assets used by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position. The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as an expenditure in the governmental funds and capitalized (recorded and accounted for) in the government-wide financial statements. Infrastructure such as streets, parks, and bridges are capitalized. Capital assets are defined by the City as assets with an initial, individual cost of at least \$2,500 and an estimated useful life of two or more years. The valuation basis for capital assets are either historical costs or, where historical costs are not available, estimated historical cost based on replacement cost. Prior to July 1, 2001 governmental funds infrastructure assets had not previously been capitalized. These assets have been valued at estimated historical cost at July 1, 2003 due to the City electing to phase in the reporting of its infrastructure over three years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements.

Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class is as follows:

	<u>Life, years</u>
Buildings	40
Building Improvements	10-20
Public Domain Infrastructure	25-40
Vehicles	5-15
Machinery and Equipment	3-5

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation pay. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are liquidated in the general fund.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenues and payment of principle and interest as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

CITY OF NEWPORT, KENTUCKY
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June 30, 2015

Net Position and Fund Balance

Net position is the difference between assets and liabilities. Net investment in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

The City uses funds and account groups to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Nonspendable fund balances consist of amounts that are not in spendable form; the City considers prepaid expenses and inventories to be nonspendable.

Restricted fund balances are amounts that can only be used pursuant to constraints imposed by external sources; such as bond covenant requirements, state government restrictions or the funds restricted by the will of the City's voters. These include the balances of restricted cash in the City's General Fund.

Committed fund balances are amounts that can only be used for specific purposes as stipulated internally by the City Council. These items can only be changed or lifted by the Council taking the same formal action that imposed the restraint.

Assigned fund balances consists of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision making authority or a body or official that has been given the authority to assign funds. These include residual balances from the Community Development Fund.

Unassigned fund balances consist of all residual funds not included in nonspendable, restricted, committed, or assigned fund balances.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

Revenues, Expenditures and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing or investing activities.

CITY OF NEWPORT, KENTUCKY
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June 30, 2015

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, governmental funds are classified as follows:

- Governmental funds – by character:
 - Current – further classified by function
 - Debt service
 - Capital outlay
- Proprietary funds – by operating and non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses related to the use of economic resources.

Inter-fund Transactions

Inter-fund services provided or used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

Management's Review of Subsequent Events

Management has evaluated events through March 8, 2016, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2015 through March 8, 2016 to disclose.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. In accordance with City ordinance, prior to June 30, the City Manager submits to the Board of Commissioners, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- B. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- C. The City Manager is required by Kentucky Revised Statutes to present a quarterly report to the Board of Commissioners explaining any variance from the approved budget.

CITY OF NEWPORT, KENTUCKY
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June 30, 2015

D. Appropriations continue in effect until a new budget is adopted.

E. The Board of Commissioners may authorize supplemental appropriations during the year.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Expenditures may not legally exceed budgeted appropriations at the fund level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the Board of Commissioners; however, with proper approval by the City Manager, budgetary transfers between departments can be made. All appropriations lapse at fiscal year end.

NOTE C – DEPOSITS AND INVESTMENTS

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy will attempt to match its investments with anticipated cash flow requirements and unless matched to a specific cash flow need, funds should not, in general, be invested in securities maturing more than 5 years from the date of purchase.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City's custodial credit risk policy to require that all cash and investments maintained in any financial institution be collateralized, with the exception of certain certificates of deposit approved by the governing body and as outlined in the City's investment policy. It is the City's policy to permit deposits allowed by Kentucky Revised Statutes.

Cash and Cash Equivalents – The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2015, the City's deposits were entirely insured and/or collateralized with securities held by the financial institution in the City's name. At June 30, 2015, \$5,000,000 of collateral was pledged to the City by the custodial bank. In addition, the City had bank deposits of \$1,160,084 of cash equivalents invested in federal government obligations.

Investments – The City had custodial credit risk at June 30, 2015 of \$7,646,761. The related securities totaling this amount are uninsured, unregistered and held by various trust departments. The City has an investment policy for public funds. The City holds the funds above in trust, which is subject to policy mandated by Kentucky statute that allows for trust funds to be invested in securities which would be regarded by a prudent businessman as a safe investment.

CITY OF NEWPORT, KENTUCKY
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June 30, 2015

As of June 30, 2015, the City had the following investments:

Investment Type	Fair Market Value	Weighted Average Maturity (Years)
Corporate bonds	\$ 129,498	10.73
Government securities	244,617	20.53
Cash balance in funds	174,047	-
Mutual funds	2,274,013	-
Closed end funds	399,898	-
Guaranteed investment contracts	4,424,688	11.34
Total investments	<u>\$ 7,646,761</u>	
Portfolio weighted average maturity		<u>7.40</u>

The City's investments are held in the following funds:

Investments held in:	Amount Invested
Newport on the Levee Fund	\$ 4,424,688
Fiduciary Funds	<u>3,222,073</u>
Total	<u>\$ 7,646,761</u>

Credit Risk – Investments – As of June 30, 2015 the City's investments in guaranteed investment contracts and corporate bonds received the following ratings by Standard & Poor's:

Investment	Rating
Guaranteed investment contracts – Newport on the Levee	
Unicredit Bank AG 01/01/2027	BBB
Corporate bonds – Fiduciary Funds	
American Express	A-
Apple Inc.	AA+
Bank of America	A-
Comcast Corp.	A-
Enterprise Products Oper	BBB+
General Electric Capital Corp.	AA+
Goldman Sachs	A-
JP Morgan Chase Global	A
Verizon Communications	BBB+
Wells Fargo & Company	A+

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE D – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Retirements/ Adjustments	Balance June 30, 2015
Governmental activities				
Items not being depreciated:				
Construction in progress	\$ 3,103,776	\$ 374,217	\$ (3,073,776)	\$ 404,217
Land	<u>6,641,209</u>	<u>2,224</u>	<u>-</u>	<u>6,643,433</u>
Subtotal	<u>9,744,985</u>	<u>376,441</u>	<u>(3,073,776)</u>	<u>7,047,650</u>
Capital assets being depreciated:				
Land improvements	37,542,989	3,724,903	-	41,267,892
Buildings	5,931,949	1,119,232	-	7,051,181
Machinery and equipment	2,471,983	62,163	-	2,534,146
Licensed vehicles	4,426,740	169,167	-	4,595,907
Non-licensed vehicles	<u>275,994</u>	<u>-</u>	<u>-</u>	<u>275,994</u>
Subtotal	<u>50,649,655</u>	<u>5,075,465</u>	<u>-</u>	<u>55,725,120</u>
Accumulated depreciation:				
Land improvements	(22,820,822)	(939,037)	-	(23,759,859)
Buildings	(2,977,064)	(164,774)	-	(3,141,838)
Machinery and equipment	(2,157,619)	(90,660)	-	(2,248,279)
Licensed vehicles	(3,655,285)	(119,235)	-	(3,774,520)
Non-licensed vehicles	<u>(173,637)</u>	<u>(13,700)</u>	<u>-</u>	<u>(187,337)</u>
Subtotal	<u>(31,784,427)</u>	<u>(1,327,406)</u>	<u>-</u>	<u>(33,111,833)</u>
Net depreciable capital assets	<u>18,865,228</u>	<u>3,748,059</u>	<u>-</u>	<u>22,613,287</u>
Total capital assets, net	<u>\$ 28,610,213</u>	<u>\$ 4,124,500</u>	<u>\$ (3,073,776)</u>	<u>\$ 29,660,937</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 2,341
Police	71,967
Fire/EMS	133,098
Development services	46,326
Community services	943,272
Municipal complex	<u>130,402</u>
Total governmental activities depreciation expense	<u>\$ 1,327,406</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

The following is a summary of changes in the capital assets in the proprietary funds:

	Balance June 30, 2014	Additions	Retirements/ Adjustments	Balance June 30, 2015
Proprietary activities:				
Land	\$ 9,196,274	\$ -	\$ -	\$ 9,196,274
Land improvements	26,281	-	-	26,281
Buildings	<u>40,075,937</u>	<u>69,500</u>	-	<u>40,145,437</u>
Subtotal	<u>49,298,492</u>	<u>69,500</u>	-	<u>49,367,992</u>
Accumulated depreciation				
Land improvements	(22,047)	(1,752)	-	(23,799)
Buildings	<u>(20,777,278)</u>	<u>(1,645,878)</u>	-	<u>(22,423,156)</u>
Subtotal	<u>(20,799,325)</u>	<u>(1,647,630)</u>	-	<u>(22,446,955)</u>
Net capital assets	<u>\$ 28,499,167</u>	<u>\$ (1,578,130)</u>	<u>\$ -</u>	<u>\$ 26,921,037</u>

All proprietary fund depreciation was charged to the Newport on the Levee Fund.

NOTE E – SHORT-TERM DEBT OBLIGATIONS

Note Payable – Bond Anticipation Notes, Series 2014

The City issued bond anticipation notes on December 19, 2014 for \$1,061,000 for the principal purpose of financing the purchase of a public works building. The interest rate on the notes is .780%. The bond anticipation notes were paid off following year end through the issuance of General Obligation Bonds, Series 2015B. The balance due at June 30, 2015 is \$1,061,000.

Note Payable – Tax Anticipation Note

On July 2, 2014, the City issued \$900,000 of tax anticipation notes for the purpose of meeting current expenses. The notes bear interest at a rate of 2.10% and were paid off on July 2, 2015. The balance due at June 30, 2015 is \$900,000.

Changes in Short-Term Debt Obligations

During the year ended June 30, 2015 the following changes occurred in short-term debt obligations in the governmental funds:

	June 30, 2014	Additions	Retirements	June 30, 2015
Bond anticipation notes	\$ -	\$ 1,061,000	\$ -	\$ 1,061,000
Tax anticipation note	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>900,000</u>
Total	<u>\$ -</u>	<u>\$ 1,961,000</u>	<u>\$ -</u>	<u>\$ 1,961,000</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE F – LONG-TERM DEBT

Governmental Activities

Notes Payable

All notes payable are payable from general fund revenues and are secured by City assets.

Note Payable – Kentucky Infrastructure Authority

The City entered into a loan agreement with the Kentucky Infrastructure Authority on September 16, 1994 to fund the development of the Channel Crossing Project in the amount of \$2,331,899 with an annual interest rate of 5.25%. The repayment of the loan is on a thirty-year amortization schedule with a balloon payment due in year twenty. This note was refinanced with the Kentucky Infrastructure authority on December 1, 2006, with a new repayment amortization schedule of twenty years and a new interest rate of 1.40%. The balance at June 30, 2015 is \$1,425,204. The following is a schedule of future debt service requirements to maturity as of June 30, 2015:

Year Ended June 30,	Note Payable KIA		
	Principal	Interest/ Fees	Total Debt Service
2016	\$ 133,741	\$ 22,270	\$ 156,011
2017	135,619	20,123	155,742
2018	137,525	17,945	155,470
2019	139,456	15,737	155,193
2020	141,416	13,498	154,914
2021-2025	<u>737,447</u>	<u>32,787</u>	<u>770,234</u>
Total	<u>\$ 1,425,204</u>	<u>\$ 122,360</u>	<u>\$ 1,547,564</u>

CITY OF NEWPORT, KENTUCKY
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June 30, 2015

Bank of Kentucky Note Payable

The City entered into a lease agreement for \$8,042,767 with Bank of Kentucky on December 27, 2013 to currently refund the outstanding General Obligation Public Project Bonds, Series 2002. The obligation constitutes a general obligation of the City and is payable semi-annually on May and November with final maturity on November 1, 2022. The obligation bears interest at a rate of 2.90%. The balance of the note at June 30, 2015 is \$7,342,767. The following is a schedule of future debt service requirements to maturity as of June 30, 2015:

Year Ended June 30,	Bank of Kentucky Note Payable		
	Principal	Interest	Total Debt Service
2016	\$ 833,675	\$ 200,852	\$ 1,034,527
2017	852,806	176,397	1,029,203
2018	880,441	151,266	1,031,707
2019	902,087	125,419	1,027,506
2020	927,551	98,889	1,026,440
2021-2024	2,946,207	129,650	3,075,857
Total	<u>\$ 7,342,767</u>	<u>\$ 882,473</u>	<u>\$ 8,225,240</u>

Bonds Payable

The following bonds payable are payable from general fund revenues and are secured by the City assets which were financed by the bonds.

2003 General Obligation Public Project Refunding Bonds

The City issued bonds on June 17, 2003 for \$4,635,000 for the principal purpose of refinancing the leases on the City Hall and the Fire Facilities. The interest rate ranges from 1% to 3.3%. The bonds mature over the period August 1, 2004 to August 1, 2016. The balance due at June 30, 2015 is \$810,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2015:

June 30,	2003 General Obligation Bonds Payable		
	Principal	Interest	Total Debt Service
2016	\$ 400,000	\$ 19,760	\$ 419,780
2017	410,000	6,765	416,765
Total	<u>\$ 810,000</u>	<u>\$ 26,545</u>	<u>\$ 836,545</u>

CITY OF NEWPORT, KENTUCKY
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June 30, 2015

2007A General Obligation Public Project Bonds

The City issued bonds on June 14, 2007 in the amount of \$4,830,000 to finance the construction of Pavilion Parkway, water mains and lines, sewer mains and lines, water detention facilities and related improvements. The interest rate ranges from 3.75% to 4.0% and the bonds mature over the period May 1, 2008 to May 1, 2027. The principal balance at June 30, 2015 is \$3,335,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2015:

2007A General Obligation Bonds Payable			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 225,000	\$ 131,967	\$ 356,967
2017	230,000	123,305	353,305
2018	240,000	114,450	354,450
2019	250,000	105,090	355,090
2020	260,000	95,340	355,340
2021-2025	1,460,000	271,200	1,731,200
2026-2027	670,000	40,400	710,400
Total	<u>\$ 3,335,000</u>	<u>\$ 881,752</u>	<u>\$ 4,216,752</u>

2007B Taxable General Obligation Funding Bonds

The City issued bonds on June 14, 2007 in the amount of \$7,705,000 to fund the unfunded liabilities to the City's Employee's Retirement Fund and Police and Firefighters' Retirement Fund. The interest rate ranges from 5.10% to 5.75% and the bonds mature over the period May 1, 2008 to May 1, 2032. The principal balance at June 30, 2015 is \$6,255,000. The following is a schedule of future debt service requirements to maturity as of June 30, 2015:

2007B General Obligation Bonds Payable			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 225,000	\$ 355,952	\$ 580,952
2017	235,000	343,915	578,915
2018	250,000	331,225	581,225
2019	265,000	317,475	582,475
2020	280,000	302,900	582,900
2021-2025	1,695,000	1,253,213	2,948,213
2026-2030	2,225,000	708,400	2,933,400
2031-2032	1,080,000	94,013	1,174,013
Total	<u>\$ 6,255,000</u>	<u>\$ 3,070,093</u>	<u>\$ 9,962,093</u>

Proprietary Activities

2000A&B Revenue Bonds

On April 1, 2000, the City issued First Mortgage Revenue Bonds in the amount of \$55,780,000, consisting of \$11,550,000 in taxable 2000 Series B bonds at an 11% coupon rate maturing in January 2009 and \$44,230,000 in tax-exempt 2000 Series A bonds at an 8.75% coupon rate maturing in January 2027, to finance and acquire real property, a public parking garage facility, a public plaza area, land, and a surface parking lot at Newport on the Levee. The issue calls for semi-annual interest

CITY OF NEWPORT, KENTUCKY
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June 30, 2015

payments on January 1 and July 1 and annual principal payments on January 1. Revenues from the Newport on the Levee fund are pledged to the retirement of this debt, and the Newport on the Levee property is collateral for this debt. The 2000 Series B bonds were paid in full in fiscal year 2009. The balance remaining at June 30, 2015 of \$25,195,000 consists of only 2000 Series A tax-exempt bonds. The following is a schedule of future debt service requirements to maturity as of June 30, 2015:

2000A Revenue Bonds Payable			
June 30,	Principal	Interest	Total Debt Service
2016	\$ 1,590,000	\$ 2,135,106	\$ 3,725,106
2017	1,720,000	2,043,169	3,763,169
2018	1,865,000	1,899,119	3,764,119
2019	2,020,000	1,742,925	3,762,925
2020	1,730,000	1,571,225	3,301,225
2021-2025	10,965,000	6,266,625	17,231,625
2026-2027	<u>5,305,000</u>	<u>853,980</u>	<u>6,158,980</u>
Total	<u>\$ 25,195,000</u>	<u>\$ 16,512,149</u>	<u>\$ 41,707,149</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2015 the following changes occurred in long-term liabilities in the governmental funds:

	June 30, 2014	Additions	Retirements	June 30, 2015	Due within One Year
Backhoe capital lease	\$ 5,768	\$ -	\$ (5,768)	\$ -	\$ -
Compensated absences	1,089,050	76,860	-	1,165,910	-
Gen. obligation bonds - 2003	1,200,000	-	(390,000)	810,000	400,000
Gen. obligation bonds - 2007A	3,550,000	-	(215,000)	3,335,000	225,000
Gen. obligation bonds - 2007B	6,475,000	-	(220,000)	6,255,000	225,000
Notes payable - KIA	1,557,092	-	(131,888)	1,425,204	133,741
Notes Payable - Bank of Kentucky	8,042,767	-	(700,000)	7,342,767	833,675
Net pension liability	<u>15,949,041</u>	<u>-</u>	<u>(678,671)</u>	<u>15,270,370</u>	<u>-</u>
Total	<u>\$ 37,868,718</u>	<u>\$ 76,860</u>	<u>\$ (2,341,327)</u>	<u>\$ 35,604,251</u>	<u>\$ 1,817,416</u>

Long-term liability activity for business-type activities for the year ended June 30, 2015 was as follows:

	June 30, 2014	Additions	Retirements	June 30, 2015	Due within One Year
Newport on the Levee	\$ 26,660,000	\$ -	\$ (1,465,000)	\$ 25,195,000	\$ 1,590,000
Net pension liability	<u>165,306</u>	<u>-</u>	<u>(18,825)</u>	<u>146,481</u>	<u>-</u>
Total	<u>\$ 26,825,306</u>	<u>\$ -</u>	<u>\$ (1,483,825)</u>	<u>\$ 25,341,481</u>	<u>\$ 1,590,000</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE G – CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE H – DEFINED BENEFIT PENSION PLANS

The government maintains two single-employer, defined benefit pension plans, the Employee's Retirement Fund and the Police and Firefighters' Retirement Fund (PFRF). The City also participates in the Commonwealth of Kentucky County Employees' Retirement System (CERS), which covers all governmental employees not already covered by the Employee's Retirement Fund or the PFRF.

Police and Firefighters' Retirement Fund and the Employee's Retirement Fund

Plan Description - The plan's are presented as Fiduciary Funds in the City's financial statements. The Employees' Retirement Fund covers substantially all non-public safety employees hired prior to April 1, 1977. The Policemen and Firefighter's Pension Plan covers all retired policemen and firefighters who were receiving benefits prior to August 1, 1988. Each plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

Neither plan has active members. In addition, future employees are not eligible to participate in the plans. The Employee's Retirement fund has 5 retired, 2 disabled and 16 beneficiary members receiving benefits. The Policemen and Firefighter's Retirement fund has 8 retired, 5 disabled, and 18 beneficiary members receiving benefits.

Benefits Provided - Benefits for the Employees' Retirement Fund are provided and may be amended by City ordinance. Benefits for the Policemen and Firefighter's Retirement Fund are provided by state statute. Members are vested and retirement is available upon completion of 20 years of service. The monthly benefit at retirement is 2.5% of average salary for the first 20 years of service plus 1% per year after 20 years with a maximum benefit of 65% of average salary. The Policemen and Firefighter's Retirement Fund has a minimum benefit of \$434. Cost-of-living adjustments, for the Policemen and Firefighter's Retirement Fund are provided at the discretion of the Board of Trustees.

Contributions - The City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes. No contributions were made for the year ending June 30, 2015, for either funds; however, contributions were made in fiscal year 2007 in excess of the annual required contribution. At June 30, 2015, \$386,891 was overfunded based on the fiscal year 2007 payments.

Measurement Focus and Basis of Accounting - The Plans' operations are accounted for on an economic resources measurement focus and the accrual basis of accounting. Employer contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

CITY OF NEWPORT, KENTUCKY
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June 30, 2015

The Employees' Retirement Fund and the Policemen and Firefighter's Retirement Fund implemented Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans in 2014. The fiduciary fund statements are presented in accordance with Statement No. 67. The Primary Government (PG), as the Plan's single-employer, implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions in fiscal year 2015.

The following was the Board's adopted target allocation and the long-term expected rate of return on Plan investments for the Employees' Retirement Fund and the Policemen and Firefighter's Retirement Fund. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return.

Asset Class	Target Allocation	Long-term Expected Rate of Return
Fixed income	30%	5.0%
Equity funds	50%	7.8%
Alternative funds	<u>20%</u>	<u>1.5%</u>
	100%	7.5%

Investments - Investments are reported at fair value.

The Plans' policy for allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

In the Employee's Retirement Fund there are no significant investments in any one organization that represent more than 5% of net assets available for benefits.

Investments that represent 5% or more of the net position of \$2,313,907 of the Policemen and Firefighter's Retirement Fund at June 30, 2015 are as follows:

Investment	Fair Value
Western Asset Smash Series M	120,931

Net Pension Liability - The components of the net pension liability at June 30, 2015, were as follows:

Employees' Retirement Fund:

Total pension liability	\$ 1,919,919
Less: Plan fiduciary net position	<u>907,725</u>
Net pension liability	<u>\$ 1,012,194</u>
Plan fiduciary net pension as a percentage of total pension liability	47.28%

Policemen and Firefighter's Retirement Fund:

Total pension liability	\$ 3,066,284
Less: Plan fiduciary net position	<u>2,314,347</u>
Net pension liability	<u>\$ 751,937</u>
Plan fiduciary net pension as a percentage of total pension liability	75.48%

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Actuarial Assumptions – The total pension liability for both Plans was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions:

Employees' Retirement Fund:

Cost of Living	- %
Salary Adjustments	N/A
Investment Rate of Return	7.5 %

Policemen and Firefighter's Pension Fund

Cost of Living	- %
Salary Adjustments	N/A
Investment Rate of Return	7.5 %

Mortality rates for health individuals were based on RP 2014 Total Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale MP-2014. Mortality rates for disable individuals were based on RP 2014 Disabled Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale MP-2014.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study from 2006 – 2014.

The long-term expected rate of return on Plan investments was determined using 10 year return expectations based on historical data in different yield environments. Best estimates of the geometric rates of return for each major asset class, included in the Plan's target asset allocation at June 30, 2015, is as follows:

Employees' Retirement Fund:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	3.20 %
Equity funds	6.10 %
Alternative funds	7.32 %

Policemen and Firefighter's Retirement Fund

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	3.20 %
Equity funds	6.10 %
Alternative funds	7.32 %

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Discount Rate – The discount rate used to measure the total pension liability was 4.5% for the Policemen and Firefighter's Retirement Fund and 5.8% for the Employee's Retirement Fund. The discount rate was determined by blending the expected rate of return of 7.50% until the fund is depleted and then a 3.74% twenty year tax-exempt municipal bond rate, which is the rate that current municipal bonds are available to similar cities. The Employee's Retirement Fund is expected to be depleted by year seven following the measurement date and the Policemen and Firefighter's Retirement Fund is expected to be depleted by year thirteen following the measurement date.

Sensitive of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability calculated using the discount rate noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower and higher than the current rate.

Employees' Retirement Fund:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	3.50%	\$ 1,165,899
Current discount rate	4.50%	\$ 1,012,194
1% increase	5.50%	\$ 879,428

Policemen and Firefighter's Retirement Fund:

	Discount Rate	Net Pension Liability (Asset)
1% decrease	4.80%	\$ 968,790
Current discount rate	5.80%	\$ 751,937
1% increase	6.80%	\$ 561,529

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to the Employees' Retirement Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 77,471	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	\$ 77,471	\$ -

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to the Police and Firefighter's Retirement Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 210,266	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	<u>\$ 210,266</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows for Employees' Retirement Fund and the Police and Firefighter's Retirement fund:

Year ending June 30,

2016	\$ (71,934)
2017	(71,934)
2018	(71,934)
2019	(71,935)

The \$210,266 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

County Employees Retirement System (CERS)

The City of Newport is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statue 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions – For the year ended June 30, 2015, plan members were required to contribute 5% of their annual creditable compensation. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2015, participating employers contributed 17.67% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. Administrative costs of the Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions – For the year ended June 30, 2015, plan members were required to contribute 8% of their annual creditable compensation. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate.

Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2015, participating employers contributed 34.31% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. Administrative costs of the KRS are financed through employer contributions and investment earnings.

For the year ended June 30, 2015, the City contributed \$229,933, or 100% of the required contribution for non-hazardous job classifications, and \$1,005,520, for the year ended June 30, 2015, or 100% of the required contribution for hazardous job classifications.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability as follows:

Total CERS Net		
Pension Liability	Non-hazardous	Hazardous
<u>\$ 13,652,720</u>	<u>\$ 2,422,504</u>	<u>\$ 11,230,216</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City's proportionate share at June 30, 2015 was as follows:

Non-hazardous	Hazardous
.07%	.93%

The proportionate share at June 30, 2014 was equal to the proportionate share as of June 30, 2013.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

For the year ended June 30, 2015, the City recognized pension expense of \$1,391,619. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	1,100,000
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	<u>1,235,453</u>	<u>-</u>
Total	<u>\$ 1,235,453</u>	<u>\$ 1,100,000</u>

The \$1,235,453 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2016	\$ (275,000)
2017	(275,000)
2018	(275,000)
2019	(275,000)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	3.50%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.75%, net of Plan investment expense, including inflation

Hazardous

Inflation	3.50%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.75%, net of Plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005-June 30, 2008.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Non-hazardous		Hazardous	
	Discount rate	City's proportionate share of net pension liability	Discount rate	City's proportionate share of net pension liability
1% decrease	6.75%	\$ 3,187,357	6.75%	\$ 14,691,543
Current discount rate	7.75%	\$ 2,422,504	7.75%	\$ 11,230,216
1% increase	8.75%	\$ 1,746,028	8.75%	\$ 8,292,166

Payable to the Pension Plan – At June 30, 2015, the City reported a payable of \$153,375 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015. The payable includes both the pension and insurance contribution allocation.

NOTE I – DEFERRED COMPENSATION PLAN

Employees of the City may participate in the deferred compensation plan adopted under the provision of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Employees may also participate in a Section 401(k) adopted under the provisions of the Internal Revenue Code. The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable financial emergency.

The deferred compensation plans are administered by the Kentucky Public Employees' Kentucky Deferred Compensation Authority.

NOTE J – INTER-FUND TRANSACTIONS

A summary of the inter-fund account balances is as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 310,000
	Refuse	79,952
Employee Benefit	General Fund	104,140
		<u>\$ 494,092</u>
General Fund	Newport Foundation	<u>\$ 48,058</u>

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Many of the outstanding balances between funds are short-term loans for payments of payables prior to the transfer of funds to cover such payables.

Inter-fund transfers at June 30, 2015 are as follows:

Transfer Out:	Transfer In:					Total
	General Fund	Community Development	Newport Foundation	Capital Projects	Employee Benefits	
General Fund	\$ -	\$ 32,551	\$ 60,000	\$ 565,000	\$ 410,750	\$ 1,068,301
Refuse Fund	<u>45,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,061</u>
	<u>\$ 45,061</u>	<u>\$ 32,551</u>	<u>\$ 60,000</u>	<u>\$ 565,000</u>	<u>\$ 410,750</u>	<u>\$ 1,113,362</u>

Transfers are used to (1) move debt service funds to the general fund where all debt service is paid, or (2) move funds from the fund that collected them to the fund that will be making the budgeted disbursement.

NOTE K – CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

NOTE L – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its risk manager and department heads.

All general liability risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The City has established a Health and Dental Self-Insurance Fund. Employees participate in the program and certain other medical insurance programs offered by the City. Under this program, the first \$30,000 of a participant's medical claim are payable by the health and dental self-insurance fund. The City purchases insurance for claims in excess of coverage provided by the fund. The general fund participates in the program and makes payments to the health and dental fund based on estimates of the amount needed to pay current year claims. A liability for incurred but not reported claims as of June 30, 2015 has not been estimated based on the nature of the claims process. This is in accordance with the requirements of GASB Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements unless such an estimate cannot be made.

The General Fund contains no provision for estimated legal claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE M – PRIOR PERIOD RESTATEMENT

Implementation of new accounting standard GASB Statement No. 68

During 2015 the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67, Financial Reporting for Pension Plans.

The guidance contained in Statement 68 changed how governments calculate and report the costs and obligations associated with pensions. Under the new standards GASB requires cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. The statement also applies to single employer pension plans and changes the way those plans account for net pension assets and liabilities. In addition, GASB requires Statement 68 to be applied retroactively, which has resulted in a restatement of beginning net position as follows:

	2015
<u>Governmental Activities</u>	
Net position, at beginning of year	\$ 11,236,046
Beginning net pension liability	(14,686,419)
Beginning net pension asset	<u>(1,007,137)</u>
Net position, at beginning of year, as restated	<u>\$ (4,457,510)</u>
<u>Business-Type Activities</u>	
Net position, at beginning of year	\$ 6,807,951
Beginning net pension liability - Refuse	<u>(151,077)</u>
Net position, at beginning of year, as restated	<u>\$ 6,656,874</u>
Total Governmental and Business-Type Activities	<u>\$ 2,199,364</u>

NOTE N – SUBSEQUENT EVENTS

General Obligation Refunding Bonds, Series 2015

On October 8, 2015, the City issued \$6,910,000 of refunding bonds. The bonds have a variable interest rate between 2% and 4% and mature on May 1, 2030. Proceeds are to be used to refund General Obligation Bonds, Series 2007B.

CITY OF NEWPORT, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

General Obligation Bonds, Series 2015B

On November 12, 2015, the City issued \$5,085,000 of general obligation bonds. The bonds have a variable interest rate between 3% and 3.75% and mature on October 1, 2040. Proceeds are to be used to finance a portion of the costs of multiple public projects, comprised of infrastructure improvements, a new public works facility, underground utilities and multiple miscellaneous capital improvements and refund the General Obligation Bond Anticipation Notes, Series 2014.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Budgetary fund balance, July 1	\$ 1,923,629	\$ 2,334,031	\$ 2,334,031	\$ -
Resources (inflows):				
Taxes:				
Property	2,016,350	2,617,048	2,604,930	(12,118)
Tangible	217,145	247,257	245,611	(1,646)
Bank deposit	63,575	61,426	61,426	-
Licenses and permits:				
Payroll license fees	6,690,370	7,448,496	7,610,230	161,734
Insurance license fees	2,802,500	2,936,195	2,943,775	7,580
Other	531,440	731,741	760,895	29,154
Intergovernmental	1,242,600	1,256,494	1,274,189	17,695
Fines and forfeitures	101,785	144,321	114,879	(29,442)
Charges for services	902,015	970,094	1,029,657	59,563
Uses of property	1,001,980	1,179,459	1,151,106	(28,353)
Interest	800	3,500	2,995	(505)
Miscellaneous	2,500	2,579	2,966	387
Refunds and reimbursements	5,995	571	819	248
Transfers in	42,500	42,500	45,058	2,558
Amounts available for appropriation	<u>17,545,184</u>	<u>19,975,712</u>	<u>20,182,567</u>	<u>206,855</u>
Charges to appropriations (outflows):				
General Government:				
Office of City Manager:				
Personnel	658,425	677,715	657,459	20,256
Contractual	383,930	373,913	357,797	16,116
Materials and supplies	3,325	5,729	4,693	1,036
Other-unclassified	29,210	43,442	40,559	2,883
Total Office of City Manager	<u>1,074,890</u>	<u>1,100,799</u>	<u>1,060,508</u>	<u>40,291</u>
Finance and Administration:				
Personnel	425,855	428,477	416,944	11,533
Contractual	143,615	159,600	161,395	(1,795)
Materials and supplies	9,345	7,600	7,553	47
Other-unclassified	47,670	42,994	40,359	2,635
Total Finance and Administration	<u>626,485</u>	<u>638,671</u>	<u>626,251</u>	<u>12,420</u>
Total General Government	<u>\$ 1,701,375</u>	<u>\$ 1,739,470</u>	<u>\$ 1,686,759</u>	<u>\$ 52,711</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
				(Continued)
Police:				
Chief's Office:				
Personnel	\$ 360,915	\$ 371,252	\$ 355,280	\$ 15,972
Contractual	106,190	124,793	117,710	7,083
Materials and supplies	18,710	20,189	18,836	1,353
Other-unclassified	3,790	4,775	4,520	255
Total Chief's Office	<u>489,605</u>	<u>521,009</u>	<u>496,346</u>	<u>24,663</u>
Police Administration:				
Personnel	232,865	240,849	231,918	8,931
Contractual	3,880	3,627	3,253	374
Materials and supplies	2,225	3,375	3,310	65
Other-unclassified	2,275	1,000	-	1,000
Total Police Administration	<u>241,245</u>	<u>248,851</u>	<u>238,481</u>	<u>10,370</u>
Patrol:				
Personnel	3,249,750	3,051,393	2,998,676	52,717
Contractual	117,200	78,342	79,189	(847)
Materials and supplies	178,965	154,733	161,458	(6,725)
Other-unclassified	14,075	28,248	20,663	7,585
Total Patrol	<u>3,559,990</u>	<u>3,312,716</u>	<u>3,259,986</u>	<u>52,730</u>
Investigation:				
Personnel	401,575	417,982	409,217	8,765
Contractual	9,235	14,381	12,339	2,042
Materials and supplies	14,885	25,590	25,964	(374)
Other-unclassified	2,560	1,794	416	1,378
Total Investigation	<u>428,255</u>	<u>459,747</u>	<u>447,936</u>	<u>11,811</u>
Traffic:				
Personnel	135,400	139,386	132,153	7,233
Contractual	8,025	8,656	14,555	(5,899)
Materials and supplies	14,505	14,160	12,384	1,776
Other-unclassified	6,980	1,000	19,060	(18,060)
Total Traffic	<u>164,910</u>	<u>163,202</u>	<u>178,152</u>	<u>(14,950)</u>
Total Police	<u>\$ 4,884,005</u>	<u>\$ 4,705,525</u>	<u>\$ 4,620,901</u>	<u>\$ 84,624</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
				(Continued)
Fire/EMS				
Administration:				
Personnel	\$ 201,530	\$ 235,628	\$ 231,797	\$ 3,831
Contractual	44,810	40,439	39,435	1,004
Materials and supplies	21,760	19,716	23,925	(4,209)
Other-unclassified	12,380	5,965	9,017	(3,052)
Total Administration	<u>280,480</u>	<u>301,748</u>	<u>304,174</u>	<u>(2,426)</u>
Suppression:				
Personnel	1,160,110	1,066,620	1,047,537	19,083
Contractual	37,255	39,339	51,915	(12,576)
Materials and supplies	15,335	22,433	22,454	(21)
Total Suppression	<u>1,212,700</u>	<u>1,128,392</u>	<u>1,121,906</u>	<u>6,486</u>
Education/Prevention:				
Personnel	351,270	354,433	349,182	5,251
Contractual	3,475	1,896	1,130	766
Materials and supplies	2,325	2,755	3,648	(893)
Other-unclassified	870	-	355	(355)
Total Education/Prevention	<u>357,940</u>	<u>359,084</u>	<u>354,315</u>	<u>4,769</u>
Emergency services:				
Personnel	1,280,980	1,275,085	1,253,186	21,899
Contractual	79,310	78,855	77,689	1,166
Materials and supplies	49,335	54,489	55,904	(1,415)
Other-unclassified	-	2,300	1,726	574
Total Emergency services	<u>1,409,625</u>	<u>1,410,729</u>	<u>1,388,505</u>	<u>22,224</u>
South Newport:				
Personnel	901,400	912,118	896,457	15,661
Contractual	20,560	18,533	18,708	(175)
Materials and supplies	9,435	5,205	5,614	(409)
Other-unclassified	720	395	45	350
Total South Newport:	<u>932,115</u>	<u>936,251</u>	<u>920,824</u>	<u>15,427</u>
Total Fire/EMS	<u>\$ 4,192,860</u>	<u>\$ 4,136,204</u>	<u>\$ 4,089,724</u>	<u>\$ 46,480</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
				(Continued)
Development Services:				
Administration:				
Personnel	\$ 157,530	\$ 157,056	\$ 155,158	\$ 1,898
Contractual	40,800	54,158	52,829	1,329
Materials and supplies	1,575	4,007	2,478	1,529
Other-unclassified	38,630	12,488	7,666	4,822
Total Administration	<u>238,535</u>	<u>227,709</u>	<u>218,131</u>	<u>9,578</u>
Code Enforcement:				
Personnel	246,685	231,813	227,006	4,807
Contractual	80,305	143,339	135,505	7,834
Materials and supplies	12,990	14,622	17,564	(2,942)
Other-unclassified	5,365	1,106	1,066	40
Total Code Enforcement	<u>345,345</u>	<u>390,880</u>	<u>381,141</u>	<u>9,739</u>
Total Development Services	<u>583,880</u>	<u>618,589</u>	<u>599,272</u>	<u>19,317</u>
Community Services:				
Administration:				
Personnel	186,105	185,975	183,071	2,904
Contractual	3,605	7,903	7,219	684
Materials and supplies	3,620	2,953	3,763	(810)
Other-unclassified	1,960	785	151	634
Total Administration	<u>195,290</u>	<u>197,616</u>	<u>194,204</u>	<u>3,412</u>
Pool:				
Personnel	52,010	42,609	45,844	(3,235)
Contractual	27,175	34,066	29,821	4,245
Materials and supplies	22,060	18,236	22,709	(4,473)
Other-unclassified	13,565	12,246	245	12,001
Total Pool	<u>114,810</u>	<u>107,157</u>	<u>98,619</u>	<u>8,538</u>
Public Works:				
Personnel	593,575	770,003	727,285	42,718
Contractual	320,330	414,032	439,629	(25,597)
Materials and supplies	241,655	302,551	298,261	4,290
Other-unclassified	12,170	14,908	9,979	4,929
Total Public Works	<u>\$ 1,167,730</u>	<u>\$ 1,501,494</u>	<u>\$ 1,475,154</u>	<u>\$ 26,340</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
				(Continued)
Parks and Recreation:				
Personnel	\$ 1,570	\$ 1,680	\$ 90	\$ 1,590
Contractual	47,700	88,080	97,561	(9,481)
Materials and supplies	9,675	15,030	10,109	4,921
Other-unclassified	9,490	46,002	6,716	39,286
Total Parks and Recreation	68,435	150,792	114,476	36,316
Total Community Services	1,546,265	1,957,059	1,882,453	74,606
Municipal Complex:				
Contractual	204,600	228,450	201,363	27,087
Materials and supplies	10,500	13,638	8,066	5,572
Other-unclassified	7,700	10,130	7,260	2,870
Total Municipal Complex	222,800	252,218	216,689	35,529
Capital Outlay:				
General government	130,000	150,486	154,536	(4,050)
Police	-	269,385	41,709	227,676
Fire/EMS	35,000	198,965	200,789	(1,824)
Community services	135,000	1,262,291	1,113,413	148,878
Municipal complex	90,000	-	-	-
Total Capital Outlay	390,000	1,881,127	1,510,447	370,680
Debt Service:				
Principal	1,662,660	1,662,655	1,662,655	-
Interest	835,580	807,814	806,257	1,557
Total Debt Service	2,498,240	2,470,469	2,468,912	1,557
Transfers out	759,100	1,027,500	1,068,298	(40,798)
Total charges to appropriations	16,778,525	18,788,161	18,143,455	644,706
Other financing sources:				
Other financing source - bond proceeds	-	1,162,000	-	(1,162,000)
Budgetary fund balance, June 30	\$ 766,659	\$ 2,349,551	\$ 2,039,112	\$ (310,439)

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balances, July 1	\$ 380,511	\$ 428,446	\$ 428,446	\$ -
Resources (inflows):				
Bank interest	250	500	593	93
Watertower	45,010	45,010	45,008	(2)
St. Vincent	8,870	8,870	8,867	(3)
Transfers in	46,500	46,500	32,551	(13,949)
Amounts available for appropriation	<u>481,141</u>	<u>529,326</u>	<u>515,465</u>	<u>(13,861)</u>
Charges to appropriations (outflows):				
Studies, surveys, signage, projects	-	825	825	-
Hamlet Row	-	-	2,000	(2,000)
Southbank	42,650	42,620	42,620	-
Façade Improvement	-	7,500	7,500	-
Total charges to appropriation	<u>42,650</u>	<u>50,945</u>	<u>52,945</u>	<u>(2,000)</u>
Budgetary fund balances, June 30	<u>\$ 438,491</u>	<u>\$ 478,381</u>	<u>\$ 462,520</u>	<u>\$ (15,861)</u>

CITY OF NEWPORT, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balances, July 1	\$ (40,759)	\$ 32	\$ 32	\$ -
Resources (inflows):				
Intergovernmental	888,290	381,820	445,220	63,400
Interest	250	250	251	1
Transfers in	591,050	541,050	565,000	23,950
Amounts available for appropriation	<u>1,438,831</u>	<u>923,152</u>	<u>1,010,503</u>	<u>87,351</u>
Charges to appropriations (outflows):				
Community services	-	34,000	146,551	(112,551)
Capital project expenditures:				
Street improvement program	820,830	582,280	502,524	79,756
Parks improvement program	203,510	116,041	165,150	(49,109)
Floodwall repairs and upgrades	200,000	189,820	200,009	(10,189)
Transfers to other funds	500,000	-	-	-
Total charges to appropriation	<u>1,724,340</u>	<u>922,141</u>	<u>1,014,234</u>	<u>(92,093)</u>
Other financing sources:				
Other financing source - bond proceeds	306,790	-	-	-
Budgetary fund balances, June 30	<u>\$ 21,281</u>	<u>\$ 1,011</u>	<u>\$ (3,731)</u>	<u>\$ (4,742)</u>

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEES' RETIREMENT FUND
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ -	\$ -
Interest	94,516	96,307
Changes of benefit terms	44,114	73,370
Difference between expected and actual experience	(189,829)	(280,842)
Change in assumptions	195,572	310,707
Benefit payments	<u>(226,777)</u>	<u>(243,758)</u>
Net change in total pension liability	(82,404)	(44,216)
Total pension liability - beginning	<u>2,002,323</u>	<u>2,046,539</u>
Total pension liability - ending	1,919,919	2,002,323
Plan fiduciary net position		
Contributions:		
Employer	-	-
Employee	-	-
Net investment income	(18,699)	116,640
Benefit payments	(226,777)	(243,758)
Administrative expense	-	-
Refunds of contributions	-	-
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(245,476)	(127,118)
Plan fiduciary net position - beginning	<u>1,153,201</u>	<u>1,280,319</u>
Plan fiduciary net position - ending	<u>907,725</u>	<u>1,153,201</u>
Net pension liability - ending	<u>\$ 1,012,194</u>	<u>\$ 849,122</u>
Plan fiduciary net position as a % of total pension liability	47.28%	57.59%
Covered employee payroll	-	-
Net pension liability as a % of covered-employee payroll	N/A	N/A

**CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT FUND
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 51,289	\$ 51,289
Contributions in relation to actuarially determined contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ 51,289</u>	<u>\$ 51,289</u>
 Covered-employee payroll	 \$ -	 \$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A

Notes

Note 1: Valuation Date: Actuarially determined contribution rates are calculated as of July 1st following the fiscal year end in which the contributions are reported.

Note 2: Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Cost of Living increase	0.00%
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	65 years old
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Mortality Tables.
Other	Monthly benefits were increased by \$20.00 effective June 30, 2015.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICEMEN AND FIREFIGHTER'S RETIREMENT FUND
LAST TWO FISCAL YEARS

	2015	2014
Total pension liability		
Service cost	\$ -	\$ -
Interest	193,347	205,401
Changes of benefit terms	56,156	62,846
Difference between expected and actual experience	(24,766)	(106,169)
Change in assumptions	432,511	55,493
Benefit payments	<u>(365,887)</u>	<u>(392,370)</u>
Net change in total pension liability	291,361	(174,799)
Total pension liability - beginning	<u>2,774,923</u>	<u>2,949,722</u>
Total pension liability - ending	3,066,284	2,774,923
Plan fiduciary net position		
Contributions:		
Employer	-	-
Employee	-	-
Net investment income	(70,036)	286,710
Benefit payments	(365,887)	(392,370)
Administrative expense	-	-
Refunds of contributions	-	-
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(435,923)	(105,660)
Plan fiduciary net position - beginning	<u>2,750,270</u>	<u>2,855,930</u>
Plan fiduciary net position - ending	<u>2,314,347</u>	<u>2,750,270</u>
Net pension liability - ending	<u>\$ 751,937</u>	<u>\$ 24,653</u>
Plan fiduciary net position as a % of total pension liability	75.48%	99.11%
Covered employee payroll	\$ -	\$ -
Net pension liability as a % of covered-employee payroll	N/A	N/A

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
POLICEMEN AND FIREFIGHTER'S RETIREMENT FUND
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,528	\$ 1,528
Contributions in relation to actuarially determined contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ 1,528</u>	<u>\$ 1,528</u>
 Covered-employee payroll	 \$ -	 \$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A

Notes

Note 1: Valuation Date: Actuarially determined contribution rates are calculated as of July 1st following the fiscal year end in which the contributions are reported.

Note 2: Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level, closed
Remaining amortization period	20 years
Asset valuation method	Market value
Cost of Living increase	0.00%
Salary increases	N/A
Investment rate of return	7.50%
Retirement age	65 years old
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Mortality Tables.
Other	Monthly benefits were increased by \$20.00 effective June 30, 2015.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON-HAZARDOUS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.075%	0.075%
City's proportionate share of the net pension liability (asset)	2,422,504	2,733,834
City's covered employee payroll	1,803,394	1,712,734
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	134.33%	159.62%
Plan fiduciary net position as a percentage of the total pension liability	61.22%	66.80%

Notes

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM - NON-HAZARDOUS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 229,933	\$ 235,329
Contributions in relation to actuarially determined contribution	<u>229,933</u>	<u>235,329</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 1,803,394	 \$ 1,712,734
Contributions as a percentage of covered- employee payroll	12.75%	13.74%

Notes

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.934%	0.934%
City's proportionate share of the net pension liability (asset)	11,230,216	12,506,739
City's covered employee payroll	4,817,366	4,775,916
City's share of the net pension liability (asset) as a percentage of its covered employee payroll	233.12%	261.87%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	57.74%

Notes

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

CITY OF NEWPORT, KENTUCKY
SCHEDULE OF CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM - HAZARDOUS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,005,520	\$ 1,041,523
Contributions in relation to actuarially determined contribution	<u>1,005,520</u>	<u>1,041,523</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 4,817,366	 \$ 4,775,916
Contributions as a percentage of covered- employee payroll	20.87%	21.81%

Notes

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last two fiscal years.

Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

SUPPLEMENTARY INFORMATION

CITY OF NEWPORT, KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Policemen and Firefighter's Retirement Fund	Employees' Retirement Fund	Total
Assets			
Cash and cash equivalents	\$ 116,180	\$ 57,867	\$ 174,047
Investments			
Bonds	93,874	35,625	129,499
Closed end funds	306,192	93,705	399,897
Mutual funds	1,612,789	661,224	2,274,013
Market backed securities	185,312	59,305	244,617
Total Assets	<u>2,314,347</u>	<u>907,726</u>	<u>3,222,073</u>
Liabilities			
Accounts payable	440	366	806
Total Liabilities	<u>440</u>	<u>366</u>	<u>806</u>
Net Position			
Held in trust for pension benefits	2,313,907	907,360	3,221,267
Total Net Position	<u>\$ 2,313,907</u>	<u>\$ 907,360</u>	<u>\$ 3,221,267</u>

CITY OF NEWPORT, KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	Policemen and Firefighter's Retirement Fund	Employees' Retirement Fund	Total
Additions			
Employer contributions	\$ -	\$ -	\$ -
Investment earnings			
Interest and dividends	138,895	55,772	194,667
Net depreciation in the fair value of investments including realized gains and losses	<u>(181,647)</u>	<u>(70,489)</u>	<u>(252,136)</u>
Total investment earnings	<u>(42,752)</u>	<u>(14,717)</u>	<u>(57,469)</u>
Total Additions (Losses)	<u>(42,752)</u>	<u>(14,717)</u>	<u>(57,469)</u>
Deductions			
Benefits	376,527	220,057	596,584
Administrative expense	<u>17,084</u>	<u>11,067</u>	<u>28,151</u>
Total Deductions	<u>393,611</u>	<u>231,124</u>	<u>624,735</u>
Change in Net Position	(436,363)	(245,841)	(682,204)
Net Position-Beginning Of Year	<u>2,750,270</u>	<u>1,153,201</u>	<u>3,903,471</u>
Net Position-End Of Year	<u>\$ 2,313,907</u>	<u>\$ 907,360</u>	<u>\$ 3,221,267</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the Commission
City of Newport, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Newport, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Newport, Kentucky's basic financial statements, and have issued our report thereon dated March 8, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Newport, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Newport, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Newport, Kentucky's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Newport, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RFH

RFH, PLLC
March 8, 2016

STATISTICAL SECTION

STATISTICAL SECTION

The Statistical Section of the City of Newport's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding the information in the financial statements, notes and supplementary information as it pertains to the overall financial health of the City.

Section 1: Financial Trend Data:

Pages 81 – 85

These tables contain trend information to help the reader understand how the City's financial status has changed in recent years.

Section 2: Revenue Capacity:

Pages 86 – 90

These tables contain information to help the reader assess the City's most significant local sources of revenue.

Section 3: Debt Capacity:

Pages 91 – 95

These tables include information to help the reader assess the affordability of the City's current outstanding debt and its ability to issue additional debt in the future.

Section 4: Demographic and Economic Information:

Page 96

This table shows demographic and economic indicators to help the reader understand the local environment in which the City's financial activities take place.

Section 5: Operating Information:

Pages 97 – 99

These tables contain service and infrastructure data to help the reader understand how the information contained in this report relates to the City's services and activities.

CITY OF NEWPORT, KENTUCKY
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 7,261,893	\$ 8,528,316	\$ 3,655,959	\$ (2,513,836)	\$ (1,764,812)	\$ 171,645	\$ 2,033,413	\$ 4,268,083	\$ 7,779,586	\$ 10,492,966
Restricted	15,931	62,821	5,716	4,191,255	3,810,281	464,478	2,126,793	1,351,158	35,464	81,193
Unrestricted	4,439,581	1,562,517	2,402,138	1,670,995	381,435	966,916	821,010	673,121	(12,272,560)	(12,858,460)
Total governmental activities net position	\$ 11,717,405	\$ 10,153,654	\$ 6,063,813	\$ 3,348,414	\$ 2,426,904	\$ 1,603,039	\$ 4,981,216	\$ 6,292,362	\$ (4,457,510)	\$ (2,284,301)
Business-type activities										
Net investment in capital assets	\$ (7,342,072)	\$ (5,885,737)	\$ (4,764,536)	\$ (3,310,768)	\$ (1,782,001)	\$ 436,766	\$ 1,855,533	\$ 1,524,302	\$ 1,839,167	\$ 1,726,037
Restricted	2,520,409	2,816,988	2,609,304	5,824,505	5,916,071	5,675,216	6,183,375	8,056,299	4,865,770	4,517,219
Unrestricted	4,998,781	4,668,726	5,010,547	944,617	1,066,343	831,923	782,140	319,735	(48,063)	71,938
Total business-type activities net position	\$ 177,118	\$ 1,599,977	\$ 2,855,315	\$ 3,458,354	\$ 5,200,413	\$ 6,943,905	\$ 8,821,048	\$ 9,900,336	\$ 6,656,874	\$ 6,315,194
Primary government										
Net investment in capital assets	\$ (80,179)	\$ 2,642,579	\$ (1,108,577)	\$ (5,824,604)	\$ (3,546,813)	\$ 608,411	\$ 3,888,946	\$ 5,792,385	\$ 9,618,753	\$ 12,219,003
Restricted	2,536,340	2,879,809	2,615,020	10,015,760	9,726,352	6,139,694	8,310,168	9,407,457	4,901,234	4,598,412
Unrestricted	9,438,362	6,231,243	7,412,685	2,615,612	1,447,778	1,798,839	1,603,150	992,856	(12,320,623)	(12,786,522)
Total primary government net position	\$ 11,894,523	\$ 11,753,631	\$ 8,919,128	\$ 6,806,768	\$ 7,627,317	\$ 8,546,944	\$ 13,802,264	\$ 16,192,698	\$ 2,199,364	\$ 4,030,893

Note: Net position for 2015 and 2014 shown with a restatement due to the implementation of GASB 68

CITY OF NEWPORT, KENTUCKY
CHANGES IN NET POSITION
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 2,596,498	\$ 2,488,790	\$ 1,965,997	\$ 1,922,031	\$ 1,868,549	\$ 1,778,054	\$ 1,499,391	\$ 1,747,163	\$ 1,811,096	\$ 1,829,592
Police	5,915,862	5,979,035	5,497,289	5,554,307	5,555,965	5,794,501	4,411,540	4,958,910	4,864,165	4,973,609
Fire/EMS	4,698,518	4,571,662	4,490,843	4,576,717	4,404,278	4,524,310	3,928,970	4,287,637	4,325,418	4,451,947
Development services	-	564,418	542,138	588,128	515,562	1,762,281	806,179	699,017	1,712,783	708,249
Community services	4,414,406	3,798,517	4,722,306	4,802,442	2,769,201	2,574,489	2,208,272	2,587,440	3,124,678	2,987,731
Municipal complex	356,661	357,061	321,582	331,945	311,207	313,053	348,160	346,430	307,821	347,091
Interest on long-term debt	1,062,697	1,245,842	1,284,127	1,236,834	1,194,156	1,195,131	1,131,534	1,059,359	974,019	794,518
Total governmental activities expenses	19,044,642	19,005,325	18,824,282	19,012,404	16,618,918	17,941,819	14,334,046	15,685,956	17,119,980	16,092,737
Business-type activities:										
Refuse	778,843	763,495	831,708	889,466	932,132	1,018,014	1,078,905	1,084,372	1,112,668	1,124,065
Newport on the Levee	7,812,570	6,997,513	6,825,090	7,142,808	6,067,222	6,117,063	5,779,336	5,996,105	8,514,839	5,511,513
Total business-type activities expenses	8,591,413	7,761,008	7,656,798	8,032,274	6,999,354	7,135,077	6,858,241	7,080,477	9,627,507	6,635,578
Total primary government expenses	\$ 27,636,055	\$ 26,766,333	\$ 26,481,080	\$ 27,044,678	\$ 23,618,272	\$ 25,076,896	\$ 21,192,287	\$ 22,766,433	\$ 26,747,487	\$ 22,728,315
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 170,949	\$ 174,424	\$ 189,617	\$ 186,793	\$ 329,815	\$ 213,501	\$ 391,529	\$ 261,166	\$ 231,970	\$ 236,143
Police	256,897	249,611	328,866	820,623	736,728	292,558	806,560	338,300	242,472	279,813
Fire/EMS	398,530	422,292	449,407	825,536	767,974	499,237	934,907	457,831	477,499	534,085
Development services	-	-	-	41,801	43,300	-	62,337	12,885	15,055	25,732
Community services	196,148	233,617	140,310	251,152	256,671	157,893	219,322	121,603	50,139	79,111
Municipal complex	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	374,914	753,368	713,497	1,158,384	529,478	657,100	673,362	1,158,359	1,098,265	1,141,755
Capital grants and contributions	276,078	297,093	515,859	443,365	541,336	2,159,270	1,896,717	1,813,415	4,176,657	586,025
Total governmental activities program revenues	1,673,516	2,130,405	2,337,556	3,727,654	3,205,302	3,979,559	4,984,734	4,163,559	6,292,057	2,882,664
Business-type activities:										
Charges for services:										
Refuse	779,900	791,830	892,625	882,699	1,054,874	1,103,387	1,149,023	1,211,843	1,234,637	1,287,365
Newport on the Levee	7,763,622	7,958,476	7,607,245	6,859,790	7,405,629	7,509,365	7,321,280	7,507,103	4,525,184	4,746,981
Capital grants and contributions	14,289,593	-	-	571,759	-	-	-	-	-	-
Total business-type activities program revenues	22,833,115	8,750,306	8,499,870	8,314,248	8,460,503	8,612,752	8,470,303	8,718,946	5,759,821	6,034,346
Total primary government program revenues	\$ 24,506,631	\$ 10,880,711	\$ 10,837,426	\$ 12,041,902	\$ 11,665,805	\$ 12,592,311	\$ 13,455,037	\$ 12,882,505	\$ 12,051,878	\$ 8,917,010

CITY OF NEWPORT, KENTUCKY

CHANGES IN NET POSITION

Last Ten Fiscal Years

	(Continued)									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenue										
Governmental activities	\$ (17,371,126)	\$ (16,874,920)	\$ (16,486,726)	\$ (15,284,750)	\$ (13,413,616)	\$ (13,962,260)	\$ (9,349,312)	\$ (11,522,397)	\$ (10,827,923)	\$ (13,210,073)
Business-type activities	14,241,702	989,298	843,072	281,974	1,461,149	1,477,675	1,612,062	1,638,469	(3,867,686)	(601,232)
Total primary government net (expense)/revenue	\$ (3,129,424)	\$ (15,885,622)	\$ (15,643,654)	\$ (15,002,776)	\$ (11,952,467)	\$ (12,484,585)	\$ (7,737,250)	\$ (9,883,928)	\$ (14,695,609)	\$ (13,811,305)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	\$ 1,263,745	\$ 1,343,586	\$ 1,405,770	\$ 1,533,702	\$ 1,615,235	\$ 1,721,021	\$ 1,980,029	\$ 1,953,820	\$ 3,727,354	\$ 2,590,894
Taxes, levied for bank deposits	48,132	48,284	49,535	47,354	46,019	58,323	49,251	50,839	61,721	61,426
Tangible	196,798	168,953	194,007	224,687	194,245	213,579	229,851	254,259	252,477	272,173
Payroll	4,760,875	5,035,332	5,343,994	5,144,845	4,939,656	5,055,781	4,960,332	4,887,904	5,276,794	5,724,313
Gross receipts franchise	1,154,993	1,283,472	1,477,946	1,447,271	1,417,593	1,412,842	1,435,960	1,590,134	1,671,196	1,885,917
Insurance premiums	1,974,652	2,198,105	1,957,783	2,571,317	2,432,879	2,515,644	2,268,680	2,763,745	2,981,708	2,943,775
Other permits	376,789	578,782	544,642	484,804	507,129	539,701	580,911	621,522	631,232	760,895
Franchise fees	710,941	658,485	725,774	708,161	696,490	722,659	698,698	651,868	701,437	667,857
Other uses of property	1,859,191	376,655	299,300	263,543	547,917	845,530	490,683	445,329	517,532	483,249
Grants and contributions - non-program specific	120,846	190,756	9,412	20,594	16,168	67,939	38,192	15,645	-	-
Interest	131,832	289,354	275,089	52,645	2,515	1,633	2,216	2,124	2,559	3,937
Miscellaneous	330,295	337,824	80,463	39,534	39,339	25,124	12,470	13,814	13,385	3,785
Gain (loss) on sale of capital assets	-	2,773,911	-	-	-	-	-	-	(49,000)	-
Transfers	18,778	27,670	33,170	30,894	36,921	(41,381)	(19,784)	(17,585)	(16,788)	(14,939)
Prior period adjustment	-	-	-	-	-	-	-	(399,875)	-	-
Total governmental activities	12,947,867	15,311,169	12,396,885	12,569,351	12,492,106	13,138,395	12,727,489	12,833,543	15,771,607	15,383,282
Business-type activities:										
Grants and contributions - non-program specific	-	-	-	-	-	-	-	-	-	-
Interest	436,369	461,231	443,491	351,959	317,831	304,436	305,297	303,561	304,395	304,613
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	(18,778)	(27,670)	(31,225)	(30,894)	(36,921)	(38,619)	(40,216)	(42,415)	(43,212)	(45,061)
Prior period adjustment	-	-	-	-	-	-	-	(820,327)	(514,117)	-
Total business-type activities	417,591	433,561	412,266	321,065	280,910	265,817	265,081	(559,181)	(252,934)	259,552
Total primary government	\$ 13,365,458	\$ 15,744,730	\$ 12,809,151	\$ 12,890,416	\$ 12,773,016	\$ 13,404,212	\$ 12,992,570	\$ 12,274,362	\$ 15,518,673	\$ 15,642,834
Change in net position										
Governmental activities	\$ (4,423,259)	\$ (1,563,751)	\$ (4,089,841)	\$ (2,715,399)	\$ (921,510)	\$ (823,865)	\$ 3,378,177	\$ 1,311,146	\$ 4,943,684	\$ 2,173,209
Business-type activities	14,659,293	1,422,859	1,255,338	603,039	1,742,059	1,743,492	1,877,143	1,079,288	(4,120,620)	(341,680)
Total change in net position	\$ 10,236,034	\$ (140,892)	\$ (2,834,503)	\$ (2,112,360)	\$ 820,549	\$ 919,627	\$ 5,255,320	\$ 2,390,434	\$ 823,064	\$ 1,831,529

Note: The city began to report accrual information when it implemented GASB 34 in fiscal year 2002.

CITY OF NEWPORT, KENTUCKY
FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Restricted, Committed, etc.	\$ 853,669	\$ 4,220	\$ 3,024	\$ 2,739	\$ (1,856)	\$ 233,037	\$ 102,597	\$ 99,797	\$ 40,473	\$ 94,714
Unassigned	151,143	279,413	136,974	88,543	(695,953)	(546,959)	(51,588)	178,062	2,293,558	1,944,398
Total general fund	<u>\$ 1,004,812</u>	<u>\$ 283,633</u>	<u>\$ 139,998</u>	<u>\$ 91,282</u>	<u>\$ (697,809)</u>	<u>\$ (313,922)</u>	<u>\$ 51,009</u>	<u>\$ 277,859</u>	<u>\$ 2,334,031</u>	<u>\$ 2,039,112</u>
All other governmental funds										
Restricted, Committed, etc.	\$ -	\$ 4,642,603	\$ 3,145,000	\$ 500,434	\$ 501,062	\$ 920,584	\$ 599,416	\$ 487,967	\$ 428,478	\$ 462,520
Unassigned, reported in:										
Revolving loan fund	-	-	-	-	-	-	-	(29,399)	-	-
Special revenue funds	2,134,883	1,900,123	392,264	337,993	342,182	-	-	-	-	-
Capital projects funds	612,702	12,893	1,564	83	85	-	-	-	-	(3,731)
Total all other governmental funds	<u>\$ 2,747,585</u>	<u>\$ 6,555,619</u>	<u>\$ 3,538,828</u>	<u>\$ 838,510</u>	<u>\$ 843,329</u>	<u>\$ 920,584</u>	<u>\$ 599,416</u>	<u>\$ 458,568</u>	<u>\$ 428,478</u>	<u>\$ 458,789</u>

CITY OF NEWPORT, KENTUCKY
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 1,505,109	\$ 1,539,240	\$ 1,649,312	\$ 1,805,743	\$ 1,855,499	\$ 1,992,923	\$ 2,259,131	\$ 2,258,918	\$ 4,019,952	\$ 2,911,967
Licenses and permits	8,267,309	9,095,691	9,324,365	9,648,237	9,297,983	9,523,968	9,245,882	9,863,305	10,560,930	11,314,900
Intergovernmental	771,838	1,241,217	1,364,384	1,651,302	989,821	2,770,299	1,759,750	2,408,022	4,885,470	1,719,409
Fines and forfeitures	189,634	165,942	186,544	195,432	144,105	160,459	177,586	159,381	102,172	114,879
Charges for services	922,551	975,884	928,410	938,792	906,455	1,002,730	1,039,922	995,904	983,802	1,029,657
Uses of property	4,839,295	1,422,234	1,752,278	1,522,057	1,260,958	1,568,188	1,166,992	1,712,093	1,328,814	1,204,981
Interest	129,508	286,254	273,407	52,156	2,228	1,357	1,980	1,907	2,382	3,839
Miscellaneous	344,361	300,536	294,014	525,020	403,302	363,137	1,039,320	93,739	288,491	3,785
Total revenues	16,969,605	15,026,998	15,772,714	16,338,739	14,860,351	17,383,061	16,690,563	17,493,269	22,172,013	18,303,417
Expenditures										
General government	2,449,502	2,302,981	1,897,548	1,679,417	1,611,293	1,549,703	1,521,333	1,606,362	1,628,804	1,686,759
Police	5,392,287	5,468,335	5,107,781	4,857,106	4,803,983	4,413,309	4,495,014	4,699,789	4,600,633	4,620,901
Fire/EMS	4,336,683	4,235,936	4,238,323	3,984,505	3,777,219	3,827,032	4,006,267	4,002,085	4,012,694	4,089,724
Development services	-	505,998	519,473	494,205	443,266	1,758,876	775,560	651,684	1,632,634	652,217
Community services	3,073,803	2,592,723	3,568,847	3,602,396	1,714,048	1,373,411	1,435,138	1,695,088	2,228,436	2,029,004
Municipal complex	207,909	207,140	164,620	180,328	174,420	179,111	215,057	216,736	176,882	216,689
Capital outlay	1,664,108	12,698,731	334,637	1,812,623	326,675	919,631	1,475,024	1,775,298	3,169,052	2,378,130
Debt service										
Principal	13,122,824	13,601,278	1,788,551	1,701,049	1,704,423	1,653,815	1,561,530	1,614,116	1,661,771	1,662,655
Interest	992,382	1,169,403	1,257,713	1,244,573	1,202,585	1,205,650	1,142,095	1,070,524	918,237	806,257
Debt issuance cost	-	223,214	-	-	-	-	-	-	-	-
Total expenditures	31,239,498	43,005,739	18,877,493	19,556,202	15,757,912	16,880,538	16,627,018	17,331,682	20,029,143	18,142,336
Excess (deficiency) of revenues over (under) expenditures	(14,269,893)	(27,978,741)	(3,104,779)	(3,217,463)	(897,561)	502,523	63,545	161,587	2,142,870	161,081
Other financing sources (uses)										
Proceeds from long-term debt	13,200,140	12,535,000	162,464	437,535	76,369	-	-	-	8,042,767	-
Refunding of long-term debt	-	-	-	-	-	-	-	-	(7,987,155)	-
Bond issue costs on refunded debt	-	-	-	-	-	-	-	-	(55,612)	-
Sale of capital assets	-	26,368,096	-	-	-	-	-	-	-	-
Discount on debt issued	-	(55,170)	-	-	-	-	-	-	-	-
Transfers in	12,931,112	15,323,529	2,458,413	1,235,358	446,129	220,231	163,659	809,425	1,047,607	642,609
Transfers out	(13,164,037)	(15,540,859)	(2,676,524)	(1,204,464)	(409,208)	(261,612)	(183,443)	(885,010)	(1,164,395)	(1,068,298)
Total other financing sources (uses)	12,967,215	38,630,596	(55,647)	468,429	113,290	(41,381)	(19,784)	(75,585)	(116,788)	(425,689)
Special items										
Pension contributions from bond issue	-	(7,565,000)	-	-	-	-	-	-	-	-
Total special items	-	(7,565,000)	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (1,302,678)	\$ 3,086,855	\$ (3,160,426)	\$ (2,749,034)	\$ (784,271)	\$ 461,142	\$ 43,761	\$ 86,002	\$ 2,026,082	\$ (264,608)
Debt service as a percentage of non capital expenditures	47.73%	49.47%	16.43%	16.60%	18.84%	17.92%	17.84%	17.26%	15.30%	15.66%

CITY OF NEWPORT, KENTUCKY
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended June 30	Residential Property	Real Property Commercial Property	Public Service	Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2006	393,741,645	414,688,068	11,068,372	51,830,315	14,759,324	247,266,197	638,821,527	2.12	886,087,724	72.09%
2007	410,657,090	432,419,682	12,034,317	50,525,807	10,157,031	257,658,871	658,135,056	2.12	915,793,927	71.86%
2008	431,942,010	433,655,089	11,677,985	50,083,985	13,768,277	254,897,116	686,230,230	2.20	941,127,346	72.92%
2009	497,836,401	479,060,956	11,880,455	47,009,088	13,800,301	287,734,430	761,852,771	2.11	1,049,587,201	72.59%
2010	494,347,123	622,782,299	11,761,300	50,828,905	14,466,985	430,936,055	763,250,557	2.25	1,194,186,612	63.91%
2011	490,644,819	601,321,953	13,649,405	55,475,343	15,095,951	412,209,452	763,978,019	2.39	1,176,187,471	64.95%
2012	484,611,603	602,987,017	14,079,362	59,036,972	15,374,007	414,985,234	761,103,727	2.52	1,176,088,961	64.71%
2013	468,149,876	617,232,472	15,360,965	58,715,730	16,518,663	431,805,365	744,172,341	2.58	1,175,977,706	63.28%
2014	463,665,282	611,205,897	16,567,680	57,345,597	18,064,234	435,075,846	731,772,844	2.64	1,166,848,690	62.71%
2015	462,715,480	677,179,540	17,001,308	64,344,787	18,797,582	501,477,996	738,560,701	2.75	1,240,038,697	59.56%

**CITY OF NEWPORT, KENTUCKY
PROPERTY TAX RATES (1)
DIRECT AND OVERLAPPING GOVERNMENTS(2)
Last Ten Fiscal Years**

Fiscal Year	City of Newport	Campbell County	Overlapping Rates			School District	Total Direct and Overlapping Rates
			State	Other			
2006	2.120	1.070	1.310	1.199		8.800	14.499
2007	2.120	1.100	1.280	1.195		8.770	14.465
2008	2.200	1.120	1.240	1.196		8.770	14.526
2009	2.110	1.160	1.220	1.118		8.200	13.808
2010	2.250	1.240	1.220	1.158		8.610	14.478
2011	2.390	1.280	1.220	1.198		8.860	14.948
2012	2.520	1.360	1.220	1.238		9.270	15.608
2013	2.580	1.430	1.220	1.318		9.510	16.058
2014	2.640	1.500	1.220	1.308		9.770	16.438
2015	2.740	1.540	1.220	1.348		9.770	16.618

(1) Per \$1000 assessed valuation

(2) Overlapping rates are those of the county government that apply to property owners living in the City of Newport.

CITY OF NEWPORT
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2015

Taxpayer	2015			2006		
	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Riverfront Place	16,400,000	1	2.22%	14,200,000	1	2.22%
CPX Newport Commercial Devp LLC	11,150,000	2	1.51%	-		
Riverchase Properties LLC	6,869,834	3	0.93%	6,575,000	3	1.03%
American Diversified Development	6,447,503	4	0.87%	6,263,300	4	0.98%
Kentucky Properties Company	5,950,000	5	0.81%	5,100,000		0.80%
Kroger Limited Partnership	5,823,701	6	0.79%	-	5	
Target DBA Target Store # 2483	5,085,692	7	0.69%	-	2	
Newport Hotel Associates LLC	5,040,000	8	0.68%	4,474,400		0.70%
The View Apartments	4,500,000	9	0.61%	-	6	
Joslin Enterprises	3,800,000	10	0.51%	-		
Louis Trauth Dairy (property tax)	-			8,289,000	7	1.30%
Hannaford LLC	-			4,600,000	8	0.72%
Gator Newport Partners LTD	-			4,497,062	9	0.70%
Louis Trauth Dairy (tangible tax)	-			3,692,808	10	0.58%
Newport on the Levee				3,678,000		0.58%
TOTAL	\$ 71,066,730		9.62%	\$ 61,369,570		9.61%

CITY OF NEWPORT, KENTUCKY PRINCIPAL EMPLOYERS BY PAYROLL TAXES PAID Current Year and Seven Years Ago				
Taxpayer	2015		2008	
	Rank	Percentage of Total City Payroll Taxes	Rank	Percentage of Total City Payroll Taxes
Newport Board of Education	1	5.93%	1	7.66%
Commonwealth of Kentucky	2	5.27%	2	4.83%
Kroger # 423	5	3.48%		0.00%
City of Newport	4	3.12%	5	3.69%
Baptist Home	5	2.87%	7	2.46%
Campbell County Fiscal Court	6	2.48%	8	2.44%
Newport Aquarium	7	2.04%	9	1.61%
I-Wireless	8	1.50%		0.00%
Brighton Center	9	1.47%		0.00%
Divisions	10	1.45%		0.00%
Trauth Dairy			3	4.56%
Humana Insurance			4	3.79%
Xanodyne			6	3.27%
Gerner & Kearns			10	1.39%
		29.61%		35.71%

CITY OF NEWPORT, KENTUCKY
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percentage of Levy
2006	1,419,361	1,365,813	96.2%	58,846	1,424,659	100.4%
2007	1,464,359	1,406,823	96.1%	44,303	1,451,126	99.1%
2008	1,581,477	1,499,031	94.8%	58,542	1,557,573	98.5%
2009	1,664,161	1,613,350	96.9%	89,965	1,703,315	102.4%
2010	1,767,539	1,692,413	95.7%	46,585	1,738,999	98.4%
2011	1,874,485	1,777,769	94.8%	66,668	1,844,437	98.4%
2012	1,971,360	1,908,201	96.8%	76,526	1,984,727	100.7%
2013	1,944,338	1,862,730	95.8%	108,596	1,971,325	101.4%
2014	1,973,958	1,870,998	94.8%	76,343	1,947,341	98.7%
2015	2,044,966	1,957,349	95.7%	95,212	2,052,561	100.4%

**CITY OF NEWPORT, KENTUCKY
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(amounts expressed in thousands)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	63.88	65.81	68.62	76.19	76.33	76.40	76.11	74.42	73.18	73.86
Total debt applicable to limit	17.15	28.76	(27.54)	(26.25)	(24.91)	(23.54)	(23.97)	(20.65)	(19.27)	(17.75)
Legal debt margin	46.73	37.05	96.16	102.44	101.24	99.93	100.08	95.06	92.45	91.61
Total debt applicable to the limit as a percentage of debt limit	26.85%	43.70%	-40.13%	-34.46%	-32.64%	-30.81%	-31.49%	-27.74%	-26.33%	-24.03%

Legal Debt Margin Calculation for Fiscal Year

Total taxable assessed value	\$	761,853	\$	763,251	\$	763,978	\$	761,104	\$	744,172	\$	731,773	\$	738,561
Debt limit (10% of total taxable assessed value)	\$	76,185	\$	76,325	\$	76,398	\$	76,110	\$	74,417	\$	73,177	\$	73,856
Less Debt applicable to limit:		(26,250)		(24,910)		(23,535)		(23,969)		(20,645)		(19,270)		(17,745)
Legal debt margin	\$	49,935	\$	51,415	\$	52,863	\$	52,141	\$	53,772	\$	53,907	\$	56,111

Note: Under KRS 66.041, the City of Newport's outstanding general obligation debt should not exceed 10 percent of total taxable assessed value.

CITY OF NEWPORT, KENTUCKY
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage to Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Revenue Bonds	Notes Payable			
2006	17,150,000	14,270,062	1,347,551	47,915,000	-	80,682,613	0.02%	4,733
2007	28,760,000	6,163,849	977,486	45,170,000	-	81,071,335	0.02%	4,755
2008	27,540,000	2,377,346	595,439	42,185,000	-	72,697,785	0.02%	4,264
2009	26,250,000	2,189,622	372,113	39,155,000	-	67,966,735	0.03%	3,987
2010	24,910,000	2,066,621	207,471	36,050,000	-	63,234,092	0.03%	3,709
2011	23,535,000	1,941,892	53,385	32,740,000	-	58,270,277	0.03%	3,790
2012	22,115,000	1,815,410	38,337	29,260,000	-	53,228,747	0.03%	3,462
2013	20,645,000	1,687,152	22,479	28,015,000	-	50,369,631	0.03%	3,263
2014	19,267,767	1,557,091	5,768	26,660,000	-	47,490,626	0.03%	3,076
2015	17,742,767	1,425,204	-	25,195,000	-	44,362,971	0.03%	2,868

CITY OF NEWPORT, KENTUCKY
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Governmental Activities

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2006	17,150,000	2.05%	1,006
2007	28,760,000	1.94%	1,687
2008	27,540,000	3.14%	1,615
2009	26,250,000	2.93%	1,540
2010	24,910,000	2.50%	1,461
2011	23,535,000	2.09%	1,531
2012	22,115,000	2.00%	1,439
2013	20,645,000	1.88%	1,337
2014	19,267,767	1.77%	1,248
2015	17,742,767	1.65%	1,147

CITY OF NEWPORT, KENTUCKY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2015

Governmental Unit		Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: School	(1)	\$ 13,332,965	97.81%	\$ 13,040,866
Debt repaid with property taxes: County	(2)	\$ 22,037,346	13.19%	2,905,947
Subtotal overlapping debt				<u>15,946,813</u>
City of Newport direct debt				<u>17,742,767</u>
Total direct and overlapping				<u><u>\$ 33,689,580</u></u>

Source: (1) Newport Board of Education

(2) Campbell County Fiscal Court

(3) The percentage overlapping debt applicable is estimated using taxable assessed property values.

Applicable percentages were estimated by determining the portion of the taxable assessed value that is within the City of Newport and dividing it by the county's/school's total taxable assessed value

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Newport. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**CITY OF NEWPORT, KENTUCKY
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years**

Newport on the Levee Revenue Bonds						
Fiscal Year	Gross Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service		Coverage
				Principal	Interest	
2006	8,195,871	1,241,696	6,954,175	2,400,000	4,442,952	1.02
2007	8,410,473	1,247,975	7,162,498	2,745,000	4,057,575	1.05
2008	8,043,630	1,376,131	6,667,499	2,985,000	3,756,994	0.99
2009	7,782,283	2,011,613	5,770,670	3,030,000	3,454,263	0.89
2010	7,723,152	1,253,834	6,469,318	3,105,000	3,181,541	1.03
2011	7,509,365	1,593,848	5,915,517	3,310,000	2,891,367	0.95
2012	7,321,280	1,546,521	5,774,759	2,995,000	2,600,966	1.03
2013	7,810,664	1,996,457	5,814,207	1,245,000	2,423,415	1.58
2014	4,829,082	1,686,164	3,142,918	1,355,000	2,314,541	0.86
2015	5,050,844	1,736,930	3,313,914	1,465,000	2,196,453	0.91

(1) Total Revenues (including interest)

(2) Total operating expenses exclusive of depreciation

CITY OF NEWPORT, KENTUCKY
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Median Income (2)	Median Age (3)	Newport Independent Public School Enrollment (4)	Unemployment Rate (5)
2006	17,048	586,178,432	34,384	35.2	1,977	5.3%
2007	17,048	616,898,928	36,186	35.2	1,815	5.2%
2008	17,048	623,240,784	36,558	35.2	1,733	6.2%
2009	17,048	617,734,280	36,235	35.4	1,780	10.1%
2010	17,048	613,165,416	35,967	35.4	1,955	10.4%
2011	15,373	576,964,063	37,531	34.0	1,786	10.0%
2012	15,373	576,964,063	37,531	34.0	1,691	7.7%
2013	15,436	535,166,120	34,670	35.9	1,824	7.5%
2014	15,438	540,330,000	35,000	36.0	1,979	8.1%
2015	15,467	541,979,147	35,041	35.4	1,949	4.4%

(1) Census Bureau updated estimate and State Data Center

(2) U.S. Census Bureau

(3) U.S. Census Bureau

(4) Newport Independent School District

(5) Bureau of Labor Statistics Data and KY Department for Employment Services using Campbell County data.

CITY OF NEWPORT, KENTUCKY
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Full-Time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function/Program										
General Government										
Office of the City Manager	10	7	7	6	6	6	7	6	6	6
Finance & Administration	11	10	10	7	7	6	6	5	5	5
Public Safety										
Police										
Sworn	50	50	49	47	42	45	43	41	42	42
Civilian	6	4	4	4	4	4	6	4	5	7
Fire										
Firefighters & Officers	37	37	37	37	35	37	37	37	37	37
Civilian	1	1	1	1	1	1	1	1	1	1
Development Services										
Administration	-	3	3	3	2	2	2	2	2	2
Code Enforcement	-	4	4	4	4	2	4	2	2	2
Community Services										
Administration	-	2	2	2	2	2	2	2	2	2
Code Enforcement	7	-	-	-	-	-	-	-	-	-
Maintenance	15	14	14	13	12	7	7	9	9	9
Parks and Recreation	4	3	1	-	-	-	-	-	-	-
Total	141	135	132	124	115	112	115	109	111	113

Source: Finance & Administration Department (Budget Documents)

CITY OF NEWPORT, KENTUCKY
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year									
Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Physical arrests	3,374	3,807	3,736	3,408	3,626	5,364	5,177	3,025	4,102	8,060
Parking violations	10,094	10,102	8,363	10,827	8,336	9,196	7,607	7,604	5,377	4,946
Traffic violations	2,429	1,940	1,482	1,063	1,126	1,979	1,075	2,627	3,977	5,915
Fire										
Number of calls answered:										
Fire	1,222	1,431	751	1,581	1,493	1,493	1,571	1,629	1,637	1,642
Emergency Medical Services	3,195	3,576	4,201	3,400	3,311	3,313	3,555	3,336	3,435	3,702
Inspections	1,643	1,608	1,592	1,509	1,198	943	875	904	744	673
Highways and streets										
Street resurfacing (miles)	-	0.3	-	-	-	-	-	0.5	1.2	3.5
Potholes repaired	4,576	5,126	6,359	5,016	N/A	N/A	N/A	4,269	4,269	4,464
Culture and recreation										
Athletic field permits issued	315	340	275	280	302	338	258	80	77	82
Pool admissions	4,257	2,167	1,148	3,793	3,479	6,474	12,223	9,998	8,557	8,166
Pool passes	1,506	802	15	9	24	31	45	230	327	352
Facilities and services not included in this reporting entity:										
Education:										
Number of elementary school instructors	81	91	87	84	82	84	74	76	79	79
Number of secondary school instructors	80	90	79	72	72	79	76	81	85	84
Water										
Number of service connections	6,240	6,090	5,940	5,750	5,093	6,286	6,192	6,108	6,104	6,104
Average daily consumption (thousands of gallons)	2,500	2,500	2,500	2,500	2,400	2,300	2,300	2,300	2,300	2,300
Sanitation										
Average daily sewage treatment (thousands of gallons)	35,200	35,200	35,200	34,600	35,880	36,970	40,850	35,700	35,800	37,000

CITY OF NEWPORT, KENTUCKY
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year									
Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	40	43	41	41	34	34	32	41	41	38
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Street (miles)	35	35	35	35	35	35	35	35	35	35
Streetlights	1,130	1,107	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Culture and recreation										
Parks acreage	51.79	51.79	51.79	51.79	51.79	51.79	51.79	51.79	51.79	51.79
Parks	13	13	13	13	13	12	12	12	12	12
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	3	3	3	3	3	3	3	3	3	3
Ball fields	6	6	6	6	6	6	6	6	6	6
Facilities and services not included in this reporting entity:										
Education:										
Number of elementary schools	3	3	3	3	3	2	2	2	2	2
Number of secondary schools	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	58.94	47.21	45.21	51.60	51.30	51.30	53.42	53.50	53.50	53.50
Fire hydrants	390	390	425	530	455	440	464	434	434	473
Maximum daily capacity (thousands of gallons)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Sanitation										
Contained sanitary/storm sewers (mile)	1,600	1,600	1,600	1,600	1,600	1,700	1,700	1,700	1,966	1,971
Number of treatment plants	1	1	1	1	1	1	11	11	7	7
Maximum daily treatment capacity (thousands of gallons)	46,500	46,500	46,500	46,500	46,500	51,600	71,500	70,500	70,600	70,500